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BEFORE THE

ILLINOIS COMMERCE COMMISSION

IN THE MATTER OF:)
)
Third-Party review of)
Ameritech Illinois')
Operation Support Systems,)
including presentations)
by SBC/Ameritech Illinois)
and various competitive)
local exchange carriers)

Chicago, Illinois

July 9, 2002

Met, pursuant to notice at 1:30 o'clock p.m.

BEFORE:

1 THE COMMISSION EN BANC,

2

3

4 APPEARANCES:

5

MS. CARRIE HIGHTMAN,
6 MR. ED GLOTZBACH and
MR. MIKE GILLIAM
7 appearing for SBC/Ameritech;

8

MS. JOAN CAMPION and
MS. SHERRY LICHTENBERG
9 appearing for WorldCom;

10

MR. BILL HAAS and
MS. MICHELLE SPRAGUE
11 appearing for McLeodUSA;

12

13

14 APPEARANCES (continued):

15

MR. ROD COX and
MR. PETER HEALY
16 appearing for TDS MetroCom;

17

MR. WILLIAM DAVIS and
MR. TIM CONNOLLY
18 appearing for AT&T.

19

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1 CHAIRMAN MATHIAS: Having gone over the
2 preliminaries, let's go on the record.

3 This is a Special Open Meeting of the
4 Illinois Commerce Commission called pursuant to the
5 Open Meeting Laws of the State of Illinois. Notice of
6 this Special Open Meeting has been provided as
7 required by law.

8 Present today are all five commissioners,
9 Commissioner Kretschmer, Commissioner Harvill,
10 Commissioner Hurley, Commissioner Squires, and myself,
11 Commissioner Mathias. We have a quorum and,
12 therefore, we will begin.

13 Today's meeting of the Commission is for
14 the purpose of discussing a third-party review of
15 Ameritech Illinois' operation support systems,
16 including presentations by various parties involved in
17 the process.

18 I would note that this is a process which
19 was begun with the enactment of the merger order in
20 September of 1999 between SBC/Ameritech and this is a
21 discussion of Condition No. 29 contained in that
22 September 13, 1999 merger order.

1 Also, by way of introduction, I would
2 note that on September -- excuse me -- that on June 20
3 representatives of KPMG Consulting appeared before
4 this Commission in an open meeting quite similar to
5 this to discuss the status of the project and a
6 discussion of the detailed interim status report,
7 which was provided to the Commission by KPMG
8 Consulting under the date of June 18, 19- -- excuse
9 me -- June 18, 2002.

10 For purposes of today, we have asked
11 various parties who are also involved in the Condition
12 29 proceedings to address the status of the OSS
13 proceedings, and we look first to representatives of
14 SBC/Ameritech, Carrie Hightman, Mr. Glotzbach, and
15 Mr. Gilliam. Good afternoon.

16 MS. HIGHTMAN: Good afternoon. I will begin.

17 PRESENTATION

18 BY

19 MS. HIGHTMAN:

20 Good afternoon, Commissioners.

21 For those in the audience who don't know
22 who we are, I'm Carrie Hightman, President of

1 SBC/Ameritech Illinois. At the far end is Ed
2 Glotzbach, who's the Executive Vice President and
3 Chief Information Officer for SBC, and Ed is
4 responsible for all information systems across the 13
5 states.

6 Mike Gilliam next to me is the Vice
7 President of SBC Long Distance Compliance. He has
8 overall responsibility for 271 compliance, including
9 the OSS test in all 13 states.

10 We appreciate the opportunity to address
11 the Commission about the status of KPMG's test and the
12 steps to bring this test to closure. This is a
13 critical issue for our company; however, this is also
14 a critical issue for Illinois consumers.

15 As you all know, the experience in other
16 states has been that long distance prices fall
17 significantly as level low competition increases once
18 the Bell Company is allowed to provide long distance
19 service. We have seen that happen in Texas. We have
20 seen it happen in New York. We have seen it happen in
21 the other 13 states in which long distance relief has
22 been granted. Illinois consumers, however, are being

1 denied the benefits of long distance entry until this
2 test is completed.

3 Now let's look back to where we were two
4 years ago when the test began. The objective was to
5 have an open global communications market. No one can
6 deny that much has happened since that time. Many
7 major carriers are actively marketing their services
8 in Illinois. You can't miss that fact when you open
9 your mail, answer your phone, turn on your TV, listen
10 to the radio or drive down the road and read
11 billboards. Those carriers are effectively obtaining
12 customers and our OSS is facilitating their ability to
13 do that.

14 Ironically, the result the test was
15 intended to achieve materialized before the test was
16 completed. In light of that fact, we are asking the
17 Commission to take account of the state of the market
18 in determining how to proceed from here. Our
19 recommendations that we describe today by all three of
20 us will provide a plan to do so.

21 So why aren't we there yet? I would like
22 to address that question by anticipating what the

1 CLECs will tell you. They will say that there are
2 numerous problems with our OSS systems. They indicate
3 that we are failing the test. Such a conclusion,
4 however, is relied by the information provided by
5 KPMG.

6 With regard to the performance
7 measurement test, that has yet barely begun and KPMG
8 itself has stated that it's not even 20 percent
9 complete. We can't fail a test that has barely begun.

10 With regard to the systems test, KPMG
11 indicated it's already 80 percent complete. That
12 means, according to KPMG, we have passed the vast
13 majority of that test.

14 If you add the time stamp issue, an issue
15 that Mr. Glotzbach is going to discuss in a couple
16 minutes, that percentage rises above 90 percent. We
17 simply haven't failed that test.

18 If you don't want to take my word for it,
19 perhaps you'll find the words of AT&T's CEO, Michael
20 Armstrong, more persuasive. Mr. Armstrong publically
21 stated AT&T would not enter a local market on a large
22 scale until it can assure customers that Ameritech's

1 systems will allow customer data to be exchanged
2 quickly and accurately.

3 Earlier this year, AT&T announced and
4 implemented a large scale launch of local service here
5 in Illinois, so the Commission needs to discount any
6 claims of test failure, and Ameritech has every
7 incentive to pass the test since that's our key to
8 long distance relief.

9 The CLECs, however, have every incentive
10 to prolong the test since that's their key to charging
11 higher long distance prices and having fewer one-stop
12 competitors in the Illinois marketplace.

13 We are anxious to work with the
14 Commission to bring the test to a successful
15 conclusion in a manner that's consistent with the
16 Commission's order and with the Master Test Plan.

17 We will present to you some
18 recommendations on how to accomplish that result
19 without spending many millions of dollars more and
20 without unduly delaying the time on when Illinois
21 consumers pay less for long distance service and have
22 more choices among one-stop providers of

1 telecommunications services here in Illinois.

2 With that, I will begin my discussion on
3 slide one while we are here, and actually the Chairman
4 has sort of summarized for me, so I will go through
5 quickly.

6 On June 18th, KPMG issued an interim
7 report I guess in response to a Commission request and
8 reviewed the findings in that report at an open
9 meeting that was held on June 20th.

10 We are here today we believe to set the
11 record straight and put OSS testing in context, given
12 the significant amount of competitive activity here in
13 Illinois, but, more importantly, we are here to
14 provide some recommendations and realistic plans for
15 bringing the project to a timely and successful
16 completion.

17 Slide two. As I mentioned earlier, every
18 day of delay is another day Illinois consumers pay
19 more for long distance service than they should and
20 another day they are deprived of competitive choices
21 for local services that they would otherwise enjoy.

22 In the 15 other states that proceed to

1 receive 271 approval, long distance rates have
2 decreased and local competition has increased, but
3 there's other factors that the Commission should keep
4 in the back of its mind as it considers the
5 recommendations we are making today.

6 During this time of industry uncertainty,
7 the timely promotion of competition in all markets
8 will result in more consumer choices and lower prices.

9 With that, I will turn it over to Mike
10 Gilliam.

11 PRESENTATION

12 BY

13 MR. GILLIAM:

14 Good afternoon, Commissioners.
15 Appreciate your time this afternoon. Let me go to
16 slide three and provide a little background and
17 incapsulate the purpose of third-party OSS testing and
18 kind of taking you a little back in history.

19 Remember that OSS testing started about
20 four years and it was begun because there really
21 weren't any commercial volumes or any volumes around
22 anywhere that were significant and so we had to use or

1 utilize a simulated environment of the OSS test.

2 The FCC has been very consistent in
3 their statements and their orders that they require us
4 and our systems to be operational, ready from every
5 perspective, whether it be pre-order billing,
6 maintenance, provisioning, providing functionality of
7 reasonable and foreseeable CLEC command. They have
8 also on a regular basis said that the 271-related
9 orders that are the most probative, and the best
10 evidence in operational readiness is real actual
11 customer volumes. The FCC has only relied on
12 third-party OSS testing where those volumes are not
13 present.

14 Slide four, to reinforce that, talks
15 about significant commercial volumes. I want to
16 provide you with a few statistics. In the first
17 comment there are larger volumes today in Illinois
18 than any state that has ever conducted an OSS test in
19 the United States. Just in May, two months ago,
20 SBC/Ameritech's wholesale system across the five-state
21 territory processed more than 1.7 million pre-order
22 transactions and those resulted in over 600,000

1 service orders.

2 Another way to put that is on the
3 average business day our Ameritech OSS systems sort
4 more than 75,000 pre-order transactions, which equate
5 to 35,000 actual service order customer requests.

6 The last bullet kind of highlights some
7 of the competitors. You are very well aware of those,
8 AT&T, WorldCom, Z-Tel, McLeodUSA, TDS Metrocom, and
9 many many more actively marketing local services
10 today in Illinois.

11 Slide five. To further reinforce that,
12 if you look at the competitive market shares of
13 competitive activity in Illinois, as of March, the
14 latest data we have in Illinois, the systems have
15 actively enabled our competitors to capture and serve
16 nearly 2 million lines or 23 percent of the market in
17 SBC/Ameritech Illinois' service areas.

18 In the 15-month period from the end of
19 2000 to the first quarter of 2002 March of this year,
20 total CLEC lines increased 82 percent going back
21 nearly a million lines, 850,000 lines, and UNEP lines
22 alone increased a whopping 9,000 percent going 350,000

1 lines in service.

2 There's more competition today in
3 Illinois than in any state at the time FCC 271
4 approval was granted, more so than Texas, more
5 so than New York, more so than Georgia. Every single
6 state has more actual competition, more orders being
7 passed in Illinois than ever in 271 application for a
8 time of approval.

9 Step six. This is probably a slide that
10 most of the Commissioners are familiar with. This is
11 SBC/Ameritech's wholesale performance in terms of
12 measurement percent met.

13 I know Chairman Mathias had many
14 discussions with us over the last couple of years.
15 The terms of establishing a target of 90 percent met
16 measures two out of three months. If you look at this
17 chart, the left-hand axis are the number of
18 measures. That's zero to 900. The right hand on the
19 vertical are the percent met. And if you follow that
20 chart, the blue line that goes across the percent met
21 2 out of 3 months.

22 We commit to Chairman Mathias and this

1 Commission that we would meet that 90 percent met,
2 which is the very bottom line of the chart. In
3 August, we met 93.2 percent.

4 For nearly a year now we have had solid
5 performance exceeding that target. Some of the best,
6 if not the best, performances in the United States and
7 significantly better than we provide retail customers
8 in Illinois. Wholesale customers are getting better
9 service if you look at all the measurements in months
10 compared to retail customers.

11 Slide 7, the status and some of the items
12 that were discussed in the last open meeting, the
13 status of third-party testing in terms of time lines
14 and costs. KPMG bid \$17.7 million on this test and
15 the fees incurred through June in Illinois are double
16 that.

17 I will tell you that very typical in --
18 KPMG has done 7 single state tests comparable to
19 Illinois in averaging those, and talking to other
20 ILECs, we found the average cost more than double that
21 17.7, very comparable to the 35. We have spent 170
22 million to-date across the five states, a significant

1 amount of money, and internally we have devoted over
2 \$25 million in expenses in terms of system
3 enhancements, and employees, and expense hours.

4 The Illinois test has been underway for
5 more than 15 months, and, as of July 1st, the schedule
6 has slipped again to October. I would say this is
7 becoming commonplace and will continue, unless
8 significant changes are made. There's no way to do
9 the performance measures evaluation the way it is
10 designed to be conducted today and be completed by the
11 October date. And unless significant changes are
12 made, we will be well in the next year before we
13 complete.

14 Slide 8, current status of OSS testing
15 in Illinois. Kind of following up on that, what I
16 want to do with this slide is differentiate the two
17 parts of the test. There's the systems part of the
18 test and a performance measure audit portion of the
19 test.

20 So the first bullet we need to look at is
21 a valuation of various systems testing. This is
22 essentially complete, as Ms. Hightower stated, well

1 over 90 percent. The time stamp issues resolve up in
2 the 90s and the system test can and should be
3 completed successfully by September if KPMG follows
4 the Master Test Plan as prescribed.

5 Secondly, much more worrisome and much
6 more concerning, as I said on the earlier slides,
7 performance measure is key to the schedule. It is
8 extreme. It is very far behind, and, again, unless we
9 make significant changes, this will continue.

10 Commission's Master Test Plan allows for
11 valid statistical audit as opposed to a
12 build-from-scratch application approach that KPMG is
13 currently using. This audit approach has been used
14 consistently across many other states, and it's been
15 successful, but we have not been able to get past
16 KPMG's insistence to replicate from scratch.

17 We believe this audit approach will save
18 the Commission, Ameritech, and have long distance
19 available to consumers of Illinois many, many more
20 months earlier and at less cost. An audit of the
21 existing performance measures is the only way to
22 insure the measurements are correct.

1 I want to reference on slide nine a chart
2 that KPMG furnished to the Commission in the
3 last open meeting identified ten high-risk areas that
4 jeopardizes successful completion of the test. Six of
5 these relate to systems issues, and, again, I
6 differentiate between systems and performance
7 measures.

8 Over 85 percent of the identified issues
9 today are either in re-test by KPMG or closed of those
10 six related to systems. As Ms. Hightman stated, on
11 the four performance measure issues, that part of the
12 test has just begun.

13 If our recommendations that we provide at
14 the end of this recommendation are adopted, there's no
15 reason why these ten tests can't be completed by
16 October.

17 At this point let's turn the mic over to
18 our SBC Chief Information Officer, Ed Glotzbach.
19 Thank you.

20

21

22

1 PRESENTATION

2 BY

3 MR. GLOTZBACH:

4 Good afternoon and thank you for the
5 opportunity to talk about SBC/Ameritech's operating
6 information systems. Allow me to start doing that by
7 talking about the time stamp issue. That's an issue
8 that KPMG covered with this Commission in detail.
9 It's one -- it's a key underpinning of their assertion
10 that we failed the volume test and it's
11 SBC/Ameritech's assertion the details that were
12 presented were not correct. Allow me to elaborate.

13 On June 20th when they reported to this
14 Commission that SBC took -- SBC/Ameritech took 26
15 seconds to return what we call CSRs, what we call
16 Customer Service Records, the method that they used to
17 conclude that does not follow the established business
18 rules, and I'll elaborate on that with a picture in
19 just a second.

20 Had KPMG followed the Commission's method
21 of reporting, they would have seen that SBC/Ameritech
22 returned those customer service records within 13

1 seconds and, therefore, by definition, we would have
2 passed the peak day volume test. So we submit that
3 even on the highest volume days during our testing, we
4 passed the volume test.

5 On Page 11 -- I was hopeful that a
6 picture might help -- there's three elements of time
7 it takes to complete a total transaction, the first
8 being that amount of time that is represented by the
9 time in the CLEC systems, the second component of time
10 being the amount of time in the interface which
11 SBC/Ameritech, or any other ILEC, uses to actually
12 unwrap and rewrap transactions so both companies can
13 understand it, and then C is the amount of time that
14 the back office systems met, meaning the amount of
15 time to actually provision, and service, and return an
16 order to the CLEC.

17 The pre-order and the ordering
18 transactions then are comprised of all three of those
19 elements; however, the business rules defined in
20 the Master Test Plan, and, more importantly, the
21 master -- the performance standard only measures the
22 amount of time in C, that is the amount of time in

1 SBC's back office systems; however, when KPMG reported
2 to you on the 26 seconds, they took the total amount
3 of time in A, B, and C using that to conclude that we
4 failed the one-day peak volume test.

5 We submit KPMG's conclusion is wrong,
6 because it performed an apples/oranges comparison on
7 an unestablished business rule, and failed to follow
8 the Master Test Plan.

9 A similar issue, which was reported
10 regarding a comparison with BellSouth needs
11 clarification. KPMG misrepresented to this Commission
12 that our performance in returning customer service
13 records was worse than BellSouth's claiming that
14 BellSouth returned those records in four to five
15 seconds compared again to 26 seconds in SBC/Ameritech.
16 That's simply an erroneous, and inaccurate, and
17 incomplete conclusion.

18 Had they correctly analyzed the
19 transactions using comparable technologies,
20 measured in comparable ways, they would have
21 discovered that SBC/Ameritech actually returns a
22 like-to-like customer service record in one to three

1 seconds.

2 KPMG, in our opinion, failed to tell the
3 Commission that it was using two different measurement
4 technologies, one being the percent return within a
5 certain time, the second being the average amount of
6 time it took to return that transaction and it was
7 analyzing two different technologies; namely, CORBA
8 and EDI. Those are interface technologies which are
9 just different ways of wrapping and unwrapping
10 transactions, but they're radically different
11 technologically and they represent those interfaces as
12 being the same; in fact, we used different interface
13 technologies to accommodate our CLEC customers. The
14 Illinois Commerce Commission should take into account
15 KPMG's omission when looking at the report in detail.

16 Let me conclude my piece by speaking
17 about some Commission actions which we think would
18 facilitate a more timely completion of the testing.
19 There's three areas. The first area is on
20 communications, and there are two active aspects of
21 communication.

22 First is, as we know, it takes active

1 Commission oversight and direction of the test, and I
2 would submit to you what that should be, but in other
3 states it's taken everything from a different
4 structure to a very published and active schedule, and
5 conference calling and mediation sessions, but
6 regardless, it does take very active oversight, as you
7 all likely know, to complete these tests in a timely
8 way, secondly, is to remove the restricted
9 communications barriers between KPMG and
10 SBC/Ameritech, and this isn't to remove the barriers
11 regarding the blindness of the test. Those need to
12 stay in place.

13 The barriers need to be around the very
14 technical details around interfaces, logic, business
15 rules, coding rules, so that we can quickly and
16 substantively solve problems on an interim day basis
17 rather than going through a protracted discussion just
18 to solve some basic logic problems.

19 It just takes real active communication,
20 because it's so detailed, and we would ask for some
21 respite on those restrictive rules to allow us to work
22 more quickly as two companies trying to complete a

1 test.

2 Regarding the system testing, we would
3 ask that you direct KPMG not to conduct any new
4 testing or any re-testing on any functions or
5 interfaces that are already operating at commercial
6 volumes. The commercial volumes should speak for
7 themselves, similarly, direct KPMG, as it's required
8 in the Master Test Plan, to utilize results from other
9 SBC/Ameritech states for test areas that use common
10 systems and common processes, in other words, once a
11 system or a process has been tested, don't test it
12 twice, certify it as complete.

13 Thirdly, we would ask that you help us
14 prioritize all outstanding exceptions and observations
15 and direct KPMG to focus solely on those high priority
16 issues that do have impact on competitive entry.

17 Finally, on the performance measurement
18 review, our recommendations would be that KPMG's
19 unique methodology, which is a replication of all
20 performance measures, is unnecessarily time-consuming
21 and is the reason we are so far behind in these tests.

22 So to remedy that situation, we need to

1 do a couple of things: First is do a separate system
2 test, meaning the volume testing, transaction testing,
3 the technical issues around the system remove that
4 from the performance measurement review. In other
5 states where that's been done, it's allowed for a much
6 more expeditious and crispier focus on two aspects of
7 those tests simultaneously.

8 And, lastly, and importantly, we would
9 ask that you retain another auditor experienced in the
10 valid statistical review of performance measures to
11 audit those performance measures rather than rebuild
12 them. That will allow other states both expeditious
13 review and a very thorough review of those results.

14 In conclusion, let me say that we believe
15 we have built excellent operating systems for our CLEC
16 customers and we welcome and, in fact, get on a daily
17 basis a lot of suggestions to make them better, and we
18 do. We believe that a valid statistical audit will
19 allow us greater input to make those better and we are
20 eager to get on with that kind of testing.

21 Thanks again for listening and for the
22 time.

1 MS. HIGHTMAN: That concludes our presentation, if
2 you want us to answer questions.

3 CHAIRMAN MATHIAS: I think we'll save the questions
4 until the end of the presentation by each of the
5 groups.

6 We look now to McLeod -- excuse me -- to
7 WorldCom and Joan Campion and Sherry Lichtenberg.

8 MS. CAMPION: Eight minutes?

9 CHAIRMAN MATHIAS: Yes.

10 PRESENTATION

11 BY

12 MS. CAMPION:

13 Thank you, Chairman Mathias, and good
14 afternoon, Commissioners.

15 Just by way of introduction, my name is Joan
16 Campion. I'm Regional Director of Public Policy for
17 WorldCom, and with me is Sherry Lichtenberg. Sherry
18 is our senior manager of OSS interfaces. She works
19 within our business unit and is responsible for
20 getting the OSS system of the LECs all over the
21 country to work for our market entry, and then she
22 maintains an ongoing relationship to insure that the

1 incumbent LECs work on OSS issues that arise and that
2 impacts our customers.

3 On behalf of WorldCom, Ms. Lichtenberg
4 has participated in every third-party test in the
5 country beginning with New York, and she also meets
6 regularly with the FCC and the Department of Justice
7 on OSS interface issues.

8 I will be making a few brief remarks
9 identifying some areas of concern for us on this issue
10 and then will be turning over the presentation to
11 Ms. Lichtenberg. First, I do appreciate the
12 opportunity.

13 I agree with SBC/Ameritech that these
14 issues that we're discussing here today are very
15 important for Illinois, for Illinois consumers, for
16 competition.

17 MCI undoubtedly has been successful in
18 the Illinois market in issuing orders and getting
19 customers signed up. This entry has not been without
20 issues and problems. We address those with
21 SBC/Ameritech almost on a daily basis. We have teams
22 devoted to the issues that arise from our entry, as

1 does SBC/Ameritech, and we both want to insure that
2 those orders get processed sucessfully and accurately,
3 but despite the efforts that both of our companies
4 have put forth on our market entry, which is about a
5 year-and-a-half old here in Illinois, we, as a
6 company, continue to believe strongly in the
7 third-party test that is currently underway and its
8 purpose. It serves a value of insuring that the
9 markets are open to competition and, just as
10 importantly, that those markets continue to be open
11 after SBC/Ameritech is into the long distance market
12 here in Illinois.

13 The OSS test and passing the test is the
14 best evidence the Commission is going to have to
15 insure that the market is open, the systems work, the
16 systems continue to work after SBC Ameritech is in
17 long distance. It allows the Commission to perform
18 its oversight function with independent verification
19 that things will continue to work as they should, and
20 the results of the test will drive the effectiveness
21 of a remedy, that is, an anti-backsliding plan that
22 hopefully will insure that markets remain open again

1 after SBC/Ameritech is in long distance.

2 This brings back a point that was raised
3 the last time we were here, which probably was almost
4 a year ago, when we were talking about Phase I and
5 Phase 2 of the 271 docket when Commissioner Kretschmer
6 asked me whether or not I would take comfort in a
7 remedy plan and an effective remedy plan so that once
8 Ameritech was in the long distance that we, as
9 competitors, would be protected.

10 My response then was that I really
11 couldn't take very much comfort in that because we
12 were too busy trying to get our orders processed and
13 provisioned, but I thought a lot about the question
14 and I want to take comfort that the performance
15 metrics that will drive a remedy plan are created,
16 managed, reported, and stored accurately and right.
17 Now I don't have that comfort, nor does any other
18 competitor in this state.

19 So, as the Commission considers what to
20 do or where we go from here, I think there are some
21 important steps to keep in mind. This test should be
22 about getting to yes. This is not about, from our

1 perspective, getting a no, but about getting to yes
2 passing the test, because if you get to yes, that
3 means the markets are open. I believe that's what
4 SBC/Ameritech's attitude should be. Let's pass
5 this test. Let's get to yes.

6 If SBC/Ameritech's position that this can
7 only happen if the test is modified in some way, my
8 response is the answer is not to dummy down the test.
9 This is not about social promotion. This is about
10 making sure markets are open and stay open.

11 Our experience throughout the country is
12 that the states where the Bell Company is committing
13 to getting to yes we have gotten there and the results
14 speak for themselves.

15 I'll now turn it over to Ms. Lichtenberg
16 now as I have taken up most of our time.

17 MS. LITCHTENBERG: That's okay.

18 PRESENTATION

19 BY

20 MS. LITCHENBERG:

21 Let me talk just at a high level of what
22 is happening today with the test and correct some

1 perhaps unclear statements that SBC/Ameritech made.

2 I was one of the first people that
3 participated in the New York test. MCI WorldCom was
4 issuing orders in New York during the test and the
5 problems we found in New York and found in the test
6 were happening at the same time. We had significant
7 volumes of orders there just as we do here. The
8 important part of the testing is that this is an
9 objective understanding of where the problem is and
10 what is happening so that the best kind of test is a
11 test where there are also commercial volumes.

12 There are real issues here in the
13 Ameritech region. We have a problem with pre-order.
14 Twenty-six seconds is a very long time, particularly
15 when I am on the phone with a customer.

16 Now I have not heard a very good
17 explanation of the time stamp problem, but let me draw
18 your attention to the word "return." It takes
19 Ameritech 26 seconds to return that transaction to me.
20 It might be generated by their system rapidly, but it
21 doesn't exist until I get it and it takes 26 seconds
22 to move from their system to me measured as the

1 performance metrics shows it.

2 There is a process in this test plan for
3 amending it, for changing it, for looking at it, yet,
4 Ameritech has not followed that process. We as CLECs
5 and Ameritech worked together collaboratively to put
6 together this plan and it has all been open. The
7 choice of the tester was open. I think we need some
8 additional collaboration. We need a recommendation in
9 an official amendment format from Ameritech to tell us
10 how they want to change this plan. Stopping the
11 systems test is not going to do it. And if I can't
12 replicate the metrics, how are you to know that the
13 metrics that are being reported to you are actually
14 correct? We need to do that and we need to work
15 together jointly with your oversight to make sure that
16 happens so the competition doesn't die here. Thank
17 you.

18 CHAIRMAN MATHIAS: Thank you. We will take a brief
19 one-minute intermission while we swope chairs here.
20 We'll go off the record for a moment.

21 (Off the record.)

22 Let's go back on the record.

1 I now look to three other groups to
2 present their views with regard to the third-party
3 review of Ameritech Illinois operations systems. I
4 look first to McLeod and Bill Haas and Michelle
5 Sprague.

6 PRESENTATION

7 BY

8 MR. HAAS:

9 Thank you, Chairman. Bill Haas,
10 by way of introduction, I'm deputy general counsel for
11 McLeodUSA.

12 As the Commission is probably well aware,
13 McLeodUSA entered the Illinois markets in June of
14 1994, and the only reason I mention that is because
15 SBC/Ameritech's arguments that the systems must work
16 because there's a commercial level of competition in
17 the State of Illinois, but when we started in 1994, we
18 faxed orders over and we went to an EDI system where
19 we would submit an order electronically, I think in
20 1998, but the order still dropped out on the Ameritech
21 side of the system and they have to manually process
22 the order on their side for a certain platform called

1 Centrex Resale. That's still in effect today, so the
2 fact that McLeod has over 200,000 access lines in the
3 State of Illinois today does not mean the systems work
4 to the level that we want for a certain platform.

5 So I just want to get that point out, but
6 I don't want to take Ms. Sprague's time, because she's
7 the real expert. She's the manager of OSS platform
8 for McLeodUSA. She is responsible for internally
9 managing our processes to prepare for releases by
10 ILECs, including SBC/SWIBX, SBC/Ameritech, as well as
11 Qwest, as well as working with the OSS team that
12 SBC/Ameritech provides to us to work for their OSS
13 systems as a release data product.

14 So I'll turn it over to her.

15 PRESENTATION

16 BY

17 MS. SPRAGUE:

18 Good afternoon, Commissioners, and I
19 appreciate your time today.

20 I first wanted to just follow-up on some
21 of the statements that were made by SBC if I could,
22 one I think Bill already touched on, but I feel it's

1 pretty critical that we understand the definition for
2 commercial ready.

3 Again, as Bill stated, our customer
4 base -- most of our customer base evolved through a
5 manual process. The customer base that did not evolve
6 through a manual process went through the OSS
7 infrastructure.

8 The question that I would ask is did it
9 go through successfully on time intervals that were
10 allotted? Did it proper -- did the system properly
11 function to allow for that customer base to be there?
12 We see a lot of lines in service. My question would
13 be what does it take to get those lines in service?
14 That's key to when you are talking about testing of
15 systems.

16 The reason we test versus the system
17 functionality is to insure that the CLECs are able to
18 process orders efficiently, accept reorder
19 functionality efficiently so that they're not damaging
20 their production time and impacting customer ntervals,
21 so I wanted to touch on that.

22 I also wanted to touch on the time stamp

1 if I could really quick. I think WorldCom already
2 touched on that, but I really have a hard time with
3 this one, because in the diagram that SBC provided,
4 it's clear that there's a removal of the EDI
5 interface.

6 The time stamp, when it comes in, when
7 you are talking about an EDI translator, the stamp
8 should come in at the translator level. It should go
9 to the back (sic) -- it should be processed back to
10 the translator and that should end the stamp time.

11 So I do agree with KPMG's 26 second
12 interval. You can't take away the beginning piece and
13 get an accurate test, so I just want to state that
14 about the time stamp, as well as SBC had talked a lot
15 about taking out the ten remaining test plans on the
16 system side. I also feel dear to my heart with those.
17 I have to explain.

18 McLeod is not an ELSOG4 at this time. We
19 are an ELOG5, but we are working with the service
20 providers of projects that are 4, so I feel the pain
21 of 4 and I feel the pain of 5. I'll talk to you about
22 that at the end, but I'm concerned about taking away

1 any test at this point when it has to do with the
2 system, because I'm not sure who's going to make the
3 determination of what's important and what's not
4 important.

5 Those ten tests that are sitting out
6 there they could be the most detrimental tests that we
7 have outstanding, so to just state we only have ten
8 left so let's just take them away, 80 percent is not a
9 hundred percent done, so the test can't be completed
10 until it's a hundred percent done, that one test that
11 you leave out might put me down in business for a
12 week, so I just want to make sure we are very clear
13 that they should be defined very well before they
14 start removing tests. So with that, I'll go straight
15 to my presentation.

16 Slide two. Third-party OSS testing we
17 believe is the most critical element to insure that
18 Ameritech Illinois markets are irreversibly open for
19 competition providing the Commission with the means to
20 verify whether or not Ameritech is providing
21 nondiscriminatory access to their OSS systems.

22 Passing a third-party OSS test provides

1 assurance that SBC/Ameritech's systems are
2 commercially available and operating at a level that
3 allows the CLECs to be competitive.

4 From a consumer perspective, the
5 third-party test assures consumers that Ameritech
6 markets are open for fair competition and that
7 they will get a level of retail service quality
8 irregardless of who their provider is.

9 Why are performance measurements
10 important in the context of third-party testing? In
11 order for testing to create valid results that can
12 be relied upon by the Commission in the evaluation of
13 271 compliance, there must be accurate and valid
14 measurements associated with the performance of the
15 OSS system.

16 Metrics allow the system operational
17 standards to be monitored and evaluated on a long-term
18 basis, this is key, reducing the risk of short-term
19 compliance by SBC innovation system defect
20 resolution.

21 I'm going to give you an example of what
22 I mean by short term versus long term. Currently if

1 you find a system issue, you open a defect. You bring
2 it to SBC's attention. They initiate a fix, hopefully
3 on a timely basis. They move that fix into
4 production. We go in and test, and/or KPMG is going
5 in and testing. They test it with success. That's
6 short term for me. Tomorrow they go in. They test.
7 It's broke again. I have no way -- because I have
8 successfully tested, I have approved that test case.
9 There would be no need for me to go back and re-test.

10 Performance measurements allow you to see
11 a long-term result. They allow you to make sure the
12 system defect isn't re-evolving. They allow you some
13 incentive, as well for SBC, not to let that happen to
14 the remedies associated with performance measurements.

15 We have had this happen to us in LSOG5 on
16 numerous occasions, so we do have proof it is
17 occurring today in production on their tool bar
18 application, as well our EDI testing that we're
19 currently in for LSOG5.

20 Performance measurements also provide
21 incentives, again, for SBC to fix the system rather
22 than permitting SBC to employ short-term work around

1 just to pass the test, and what I mean by this is we
2 currently are being impacted by an issue now. It's a
3 great example of production in LSOG5. Again, I'm
4 speaking LSOG5. My feeling is it's happening in 4.

5 The tool bar application SBC has employed
6 has a system defect in regard to record-only orders.
7 When you process a record-only order, you are unable
8 to receive a reject or completion on the order in the
9 system. This was raised to SBC/Ameritech's attention.
10 They stated that they would work on system resolution.
11 It will be extended. It may be several months; in the
12 meantime, we are going to call you verbally on the
13 phone to let you know when you should have received a
14 reject. This is short --

15 CHAIRMAN MATHIAS: Ms. Sprague, could you conclude
16 your remarks briefly.

17 MS. SPRAGUE: Certainly.

18 So, in short, McLeodUSA definitely feels
19 like performance measurements cannot be reduced in
20 scope by any means.

21 We do also have a great concern of the
22 test-until-pass being removed from the testing scope

1 and we hope that the Commission understands the CLECs'
2 pains and understand our arguments. Thank you.

3 CHAIRMAN MATHIAS: Thank you.

4 The next two, TDS MetroCom, Ron Cox and
5 Peter Healy.

6 PRESENTATION

7 BY

8 MR. COX:

9 Good afternoon. My name is Ron Cox.

10 I'm Manager of Carrier Relations. This is Peter
11 Healy, our Manager of External Relations. I will do
12 most of the talking today. I think Peter would like
13 to say a few words, so if I get finished in time,
14 which is very questionable, I'll give it to him.

15 To give you a little experience, or my
16 experience, I've been in the business as of 28 years
17 today. I came in off vacation to be here because I
18 feel this is such a critical issue to all CLECs, and
19 that when I heard awhile ago by SBC was that Illinois
20 is opening its markets and competition is thriving,
21 well, the reason -- if that's true, the reason it is
22 because of the Commission and what's going on today.

1 It's not because of what SBC/Ameritech is trying to
2 accomplish.

3 We fight these issues every day. These
4 problems that KPMG has identified are real. They
5 aren't going away because of the merger condition
6 order. They're not going away because of 271. These
7 are problems we deal with every day, so you are going
8 to have to face these things every day we don't
9 continue this test.

10 With this test, as Sherry stated, we can
11 work together as collaborative with the Commission,
12 the Commission staff, SBC, and the CLECs, to solve the
13 problem. Avoiding the test is not the answer.

14 I would like to mention the fact that
15 KPMG, in my mind, is the most experienced test
16 administrator out there, and I can say that from
17 experience, because I've been in the Qwest region.
18 I've been in the SBC region. I've been in the
19 Ameritech region. There is no better test
20 administrator than KPMG. What they are doing is what
21 we developed as a Master Test Plan together based on
22 what the Commission ordered. It is the plan. They're

1 just executing the rules.

2 Ameritech SBC is going to change the
3 rules now as they can't pass the test. It's that
4 simple. KPMG publicized, shared this information all
5 the way through this test. This is nothing new. They
6 shared this all the way through the test. Now all of
7 a sudden we have got to change the rules. I don't
8 understand it. Why?

9 Qwest just completed the test
10 successfully I believe in Montana, almost identical
11 master test plan. Auditing performance measurement's
12 no different.

13 Performance measures are the heart of
14 this Master Test Plan and this test. You can't
15 decouple it. Without performance measurements, how do
16 you know what the systems or the processes are telling
17 you? And without accurate PMs, which we are all kind
18 of questioning whether they're truly accurate yet, how
19 will we ever know? PMs have to be valid. They have
20 to be audited to know that. We're just asking for
21 that to happen.

22 Why all the restatements? Why do they

1 continue to restate? If they don't know, they have
2 got a problem. Why would they have to restate? PMs
3 need fixing. They're important to our business.
4 They're important to passing this test. To decouple
5 right now would be a copout, plain and simple.

6 If SBC/Ameritech was truly a quality
7 company, they would not even attempt to decouple
8 performance measurements from this test. If they were
9 trying to get out of the Baldrige war (sic), they
10 sure didn't do it. You have got to have PMs.
11 You have got to be able to produce results that people
12 can trust and believe in.

13 Another reason I think competition is
14 thriving in Illinois is because of the things that the
15 Chairman has done personally that no other commission
16 that I recall has done and has roundtable discussions
17 to help fix some of these problems ahead of time.
18 They have not all gotten fixed through the testing
19 process. They have gotten fixed through other
20 mechanisms.

21 We appreciate that. We appreciate this
22 Commission. This Commission has been a model

1 Commission in my mind of many states. We ask you to
2 continue that process.

3 Last, but not least, let's be patient and
4 let this work. We are not here, as some -- as some
5 might think, to avoid competition. I just want a
6 level playing field. We can compete with
7 SBC/Ameritech. Just make the system fair and we'll
8 compete. We are not trying to stop them from getting
9 into the long distance business, as some people might
10 think.

11 PRESENTATION

12 BY

13 MR. HEALY:

14 Thank you and thanks, Rod, for leaving me
15 a couple of minutes.

16 I want to address one thing that it seems
17 like is on the minds of all of the CLEC presenters
18 today and that's Ameritech's claim that all we need to
19 do is look at competition in Illinois and that shows
20 us that the KPMG tests are no longer really necessary,
21 because that simply is not true. Just because
22 Ameritech has implemented some sort of an OSS system

1 does not mean that this OSS system is what is creating
2 and fostering competition, and since we are a company
3 that's come down from Wisconsin, I thought of the
4 following analogy that might help illustrate it.

5 If per chance the Packards manage to
6 score a touchdown against the Bears this fall, I doubt
7 that the most optimistic Packard fan, nor the most
8 optimistic Bears fan, would say that that proves that
9 the Bears' defense is irretrievably open to Packard
10 touchdown.

11 I think most would recognize that
12 the Packards manage to score inspite of, not because
13 of, the Bears' efforts, and it's no different here in
14 the telecom industry. To the extent competition has
15 gained a toehold in Illinois, it's inspite of, not
16 because of, Ameritech's efforts.

17 I would like to quote an extremely, I
18 think, striking phrase used by SBC Communications in
19 the recent Microsoft antitrust litigation, because I
20 think only by fully completing this test will you, the
21 Commission, be sure that Ameritech will be -- not be
22 like, and I quote, "The most successful monopolist,

1 which are able to kill each naissance threat before it
2 can leave the crib."

3 SBC further argued that "unless and until
4 these embryonic paradigms can grow into full-fledged
5 competitors, Microsoft with enjoy the economic rewards
6 of its monopoly power for several years bilking
7 consumers during that period with high prices or using
8 its monopoly power to degrade service or raise rivals'
9 costs."

10 This was SBC's argument to the federal
11 court in the District of Colorado. I think if you
12 substitute SBC/Ameritech from Microsoft, you could not
13 ask for a better statement of the problems confronting
14 this Commission, nor a better reason to continue the
15 performance test to its full conclusion.

16 Yes, there are CLECs attempting to enter
17 the Illinois market, some more successfully than
18 others, but this competition is truly naissance
19 and it has taken a toehold based on the actions of
20 this Commission and the promise that this Commission
21 would continue to hold SBC/Ameritech to its market
22 opening conditions.

1 The OSS test is one of the best ways this
2 Commission has available to make sure that
3 SBC/Ameritech does not kill this fledgling competition
4 before it can leave the crib. Thank you.

5 CHAIRMAN MATHIAS: And thank you.

6 Last, but not least, I look to AT&T, Bill
7 Davis and Tim Connolly.

8 PRESENTATION

9 BY

10 MR. DAVIS:

11 Thank you, Chairman, Members of the
12 Commission. I'm Bill Davis, the Chief Regulatory
13 Counsel for AT&T in this region.

14 CHAIRMAN MATHIAS: Excuse me. Could you speak
15 closer to the microphone so people listening can hear
16 you.

17 MR. DAVIS: Is that better?

18 CHAIRMAN MATHIAS: Yes, it is.

19 MR. DAVIS: Thank you.

20 With me is Tim Connolly, who has been in
21 the OSS business for quite a long time, and, in
22 particular, he's been involved in the OSS tests

1 conducted in New York, Massachusetts, and Pennsylvania
2 for Verizon; Texas and California for SBC Arizona, as
3 well as the other 13 states, so-called Rock (phonetic)
4 test for Qwest, and last, but certainly not least, the
5 review of the Ameritech Michigan OSS systems
6 transpired back in 1997 in their first application
7 when the FCC ultimately found that Ameritech's OSS did
8 not pass muster.

9 I hate going last because you sit here
10 and people going ahead make your own -- your points
11 for you and they make them better. I never thought of
12 the Packard analogy, but I'll forge ahead nonetheless.

13 We have a handout, which we all realize
14 is far too long to cover here, so I'm not even going
15 to try. I'll leave it behind, and I do want to make a
16 couple of points then turn this over to Mr. Connolly.

17 I want to respond, first of all, to the
18 stuff I saw in Ameritech's reply to KPMG's interim
19 report briefs, because it was a shock. I was shocked
20 by the charges that KPMG is somehow bias or
21 the implication that KPMG is bias against them.

22 Quite frankly, we have grappled (sic)

1 a little bit with KMG from time to time. We have
2 submitted a couple of change requests that got denied.

3 I think that the claim, explicitly or
4 implies, that KPMG is bias -- and I'm here not to
5 praise them, nor bury them -- but the claim they're
6 bias simply will not hold muster.

7 KPMG has been involved in the test in New
8 York, Massachusetts, Pennsylvania, Road Island, and
9 Georgia, and New Jersey, all passed states for 271
10 purposes. They have been involved in the Colorado
11 Rock test and now we have Colorado with four other
12 states on file with the FCC, as well as the Virginia
13 test, for the test has been completed, so I think any
14 implication that KPMG is being constructionist or
15 trying to keep SBC/Ameritech out of 271 is simply
16 baseless.

17 I do want to echo the point made by
18 others, and especially since Mr. Armstrong was quoted
19 on this issue on the question of, well, now you are in
20 the market, does that mean you don't need to go
21 through the OSS test?

22 We are gratified. We have been in the

1 market in Illinois -- excuse me -- I guess a little
2 over a month now. We are happy with the customer
3 response. What the customer's response is showing is
4 that customers want a choice. It is not showing you
5 that those customers are being served and serviced on
6 an efficient and -- speedy, efficient, low cost basis.

7 We have issues weekly and they cost us
8 time and money to resolve as they cost SBC time and
9 money to resolve. We have issues that the CLEC early
10 warning system has identified that make the KPMG test.
11 There are other issues that will not -- cannot be
12 identified by individual CLECs, especially in the
13 market, especially in the performance measurement.
14 There's no substitute for a valid, strong third-party
15 test.

16 So I reiterate the point they made that,
17 sure, we're happy to be in the market. We're happy
18 customers are coming, but that's not getting you to
19 the bottom line that you need to get to.

20 The one thing I will point you to in the
21 handout there's been a lot of talk today about 271 and
22 what is required to pass 271, but, as the Chairman

1 correctly noted, this test started life as a merger
2 condition test. It was a condition to this
3 Commission's approval of the SBC/Ameritech merger and
4 embodiment of the requirement to make sure the system
5 improvements that SBC/Ameritech promised would, in
6 fact, be implimented, and that's what we are about.
7 We are about the last stages of that.

8 Ameritech SBC is sort of saying, well,
9 now that we're seeing signs it's beginning to work,
10 let's just quit. We think that's the wrong course,
11 and if Mr. Connolly has any time left, I have a
12 suggestion about how we might go from here, but I'm
13 going to turn it over to him.

14 PRESENTATION

15 BY

16 MR. CONNOLLY:

17 Thank you, Bill, and thank you,
18 Commissioners, for the time to spend with you
19 discussing these issues.

20 One of the things that we heard from SBC
21 was that the performance measurement part of the test
22 is just about ready to begin and also another point

1 was that this test was actually begun back in March of
2 2001. So what's been going on for 15 months relative
3 to this performance measurement aspect of the test,
4 which is embodied within the Master Test Plan?

5 And, frankly, you look on Page 6 of our
6 handout, what we point out is the extensive periods of
7 time of delay that wherein the early parts of the test
8 where nothing happened for months and months while
9 we're waiting for Ameritech to build its test bed and
10 to be able to come up with a set of three consecutive
11 months' worth of results data that can be used by KPMG
12 to do its replication analysis.

13 So if that work had been done by
14 Ameritech on an expeditious basis, according to the
15 project plan that was first developed, we certainly
16 wouldn't be here today. We wouldn't be at a point
17 where we are just starting to do a test that should
18 have been begun more than 15 months ago.

19 When we looked at Ameritech's --
20 SBC/Ameritech's reply to KPMG's interim report, one of
21 the things we are going to focus on is the eight
22 points of performance tests, of the transaction

1 testing and systems testing that KPMG highlights and
2 Ameritech replies in a very -- in most cases in ways
3 that very narrowly interpret the problem that KPMG has
4 articulated in its eight points and these go to
5 particular perceptions that we have translated on
6 Pages 9 through 11 of our handout into what the CLECs
7 are experiencing today that KPMG has finding with
8 these eight major areas of concern, and we identify
9 for you the numbers of the KPMG exceptions that had
10 been written, which underscore exactly what those
11 problems are that they have raised in their interim
12 report, so I ask you to draw your attention to those.

13 In terms of how Ameritech Illinois' test
14 compares and contrasts with other recent third-party
15 OSS tests, I draw your attention to Page 8 where we
16 highlight for you three other tests recently completed
17 and the magnitude of those in terms of the time it
18 took from when the Master Test Plan was written and
19 agreed to by the parties and the time that the master
20 -- the final report of the test plan was focused --
21 the Ameritech test plan is slow, no question about
22 that -- but the amount of time it should take, 21

1 months for the Rock test, 31 months for the Arizona
2 test, and 26 months for the Virginia test.

3 I'll return the microphone to Mr. Davis.

4 PRESENTATION

5 BY

6 MR. DAVIS:

7 At the end of our handout we sort of
8 address the question of what should we be doing from
9 here. We've seen some suggestions in various forms
10 from Ameritech. We have seen some very specific
11 suggestions for how they propose to do their responses
12 to the ten hot items or twelve hot items and we have
13 seen some general proposals now about what kind of
14 re-testing should or not be done.

15 I suggest it is incumbent upon Ameritech
16 to layout specifically what it is it proposes to do.
17 In substance, what it's doing is proposing to change
18 the process and change the scope of the test. It's
19 proposing a change -- a set of changes in the Master
20 Test Plan, so I suggest they should be required to do
21 that comprehensively.

22 We have a model in place, test change

1 process that could be used, and I agree with Ameritech
2 though that the Commission's involvement is timely and
3 needed to break this impasse, otherwise, we'll just
4 waste more time.

5 CHAIRMAN MATHIAS: Thank you. We'll take a brief
6 break off the record.

7 (Off the record.)

8 Let's go back on record.

9 I would note that we asked each of
10 the five participants to join us at the tables before
11 the Commission, and the Commissioners look to
12 Commissioner Kretschmer to begin the questioning of
13 the individual presenters, so, Commissioner
14 Kretschmer.

15 COMMISSIONER KRETSCHMER: Mr. Chairman, do you
16 want us to question all the CLECs? All right. Let
17 me start with Ameritech.

18 My understanding is that, if my
19 recollection is correct, that when we passed the
20 merger order, the testing process we are now using was
21 agreed to by Ameritech, am I correct?

22 MR. GLOTZBACH: That is correct.

1 COMMISSIONER KRETSCHMER: And that testing included
2 the military style. Is the New York and the military
3 the same testing?

4 MR. GILLIAM: Yes.

5 COMMISSIONER KRETSCHMER: That test included --
6 I like the military style better. That test included
7 the military style testing and you agreed to that?

8 MR. GILLIAM: Yes, we did.

9 COMMISSIONER KRETSCHMER: What has happened in the
10 interim to lead you to believe that the testing style
11 should be changed, that the procedure should be
12 changed?

13 MR. GILLIAM: Our comments are not that the
14 procedure should be changed. It's the Master Test
15 Plan should be followed, and let me explain that. The
16 Master Test Plan allows for the test being done in
17 other states. In fact, it specifies that KPMG should
18 identify any tests that are duplicative and you use
19 those -- you utilize those in other states. That
20 defines the test. Another is that --

21 COMMISSIONER KRETSCHMER: Let me clarify.
22 What other test states are you talking about?

1 Are you talking about the Ameritech states?

2 MR. GILLIAM: The Ameritech states.

3 COMMISSIONER KRETSCHMER: Ameritech states?

4 So if Ohio passes something, we should
5 assume it passes here in Illinois?

6 MR. GILLIAM: You can do that because they're the
7 same systems. They're the same centers. The local
8 service --

9 COMMISSIONER KRETSCHMER: Why wouldn't they pass
10 Ohio and why wouldn't it pass in Illinois?

11 MR. GILLIAM: There's no reason. I mean, it's
12 exactly the approach that's been taken in Pacific
13 Bell, in Verizon, in Southwestern as well where you do
14 it in one state and then you utilize that data in
15 other states.

16 COMMISSIONER KRETSCHMER: And KPMG is not doing
17 that in this case? Is that what you are saying?

18 MR. GILLIAM: At this point in time we have not
19 found any case from transaction testing that's been
20 done.

21 COMMISSIONER KRETSCHMER: Okay. I would like you
22 to look at the presentation you made today, and I'm

1 referring particularly to Page 11, and this seems to
2 be the heart of what I hear a lot of the presenters
3 say, and certainly I'm interested in this issue.

4 I can count the 26 or I can count the 3,
5 but I can't count the way you guys count. So how are
6 you counting? Tell me what you are counting, because
7 it seems to me that we have heard from the CLECs
8 saying that 26 seconds is too long to get back to
9 them.

10 Now if I'm a CLEC and I call you -- I
11 have a customer on the line and I call you and I need
12 information, and I give you the information that you
13 need to respond to me, little boxes of five, how long
14 does it take to respond back to me?

15 MR. GLOTZBACH: The business rule in the Master
16 Test Plan talks about the time inside C, which is the
17 back office system. That's a different piece of time
18 than the time it takes to get a transaction back to
19 the CLEC.

20 The lady from WorldCom is right. If it
21 takes 26 seconds, it takes 26 seconds to get that
22 back. That doesn't mean it takes 26 seconds for us to

1 process. Let me explain.

2 You look at Box A. On the right side
3 there's a fire wall. You look at Box B. On the left
4 side there's a fire wall. Each transaction has to go
5 through four fire walls in order to transact a total
6 time. KPMG's testing and test systems log the time
7 from when they send it to until they receive it and it
8 will come in all of those boxes.

9 COMMISSIONER KRETSCHMER: BellSouth was able to do
10 that in four or five seconds?

11 MR. GLOTZBACH: No. BellSouth's measurement was
12 only in B and it wasn't for the electronic interface
13 EDI. It was for CORBRA which is a different technology
14 interface. The amount of time the four to five or one
15 to three that I quoted is only for B. It's two
16 different elements of time.

17 COMMISSIONER KRETSCHMER: Let me ask --

18 MS. LITCHTENBERG: Yes.

19 COMMISSIONER KRETSCHMER: You said that you didn't
20 accept what he said, I assume.

21 MS. LITCHTENBERG: I think, Commissioner, that you
22 asked the exact correct question, which is the word

1 that's being used here is return, and the information
2 that I am getting through my interface into Ameritech
3 is so that I can serve a customer. It could take zero
4 seconds in the internal Ameritech systems, but if
5 it could take me 26 seconds, that is a very long time.

6 I went back and I reviewed the business
7 rule and I do not see in reading that business rule --
8 and maybe that's something that we need to
9 collaboratively look at with the Commission -- I
10 can't see where SBC/Ameritech is getting this extra
11 time.

12 I also would note that there were also
13 CORBRA tests done and that the exception report that
14 KPMG put out does show CORBA versus EDI.

15 The best way to think about this is with
16 the Federal Express example. Federal Express gets it
17 to you on time, all the time. And if you look at
18 SBC/Ameritech's picture here, what they are saying is
19 we get that package to our location every time, on
20 time, all the time. We might not deliver it to you
21 tomorrow or the day after, but we passed the test, but
22 we got it.

1 COMMISSIONER KRETSCHMER: If you can't -- the
2 two of you can't essentially agree on counting 6, how
3 do you expect me to understand what you are talking
4 about. I mean, I have got one gentleman over here
5 from Ameritech telling me he's only counting the time
6 in B. How are you going to persuade me that you are
7 right if you are counting different times?

8 MS. LICHTENBERG: We have a business rule and the
9 business rule states that it's the time to return and
10 that it's measured inside the SBC fire wall.

11 COMMISSIONER KRETSCHMER: I'll accept that it's the
12 business rule that says it's time to return. How long
13 does it take you to return?

14 MR. GLOTZBACH: Depends on the transaction. I
15 think that the business rule is written the way it was
16 because it meant to delineate only the amount of time
17 inside the control of SBC/Ameritech. Twenty-six
18 seconds, as stated by KPMG, has large elements of time
19 outside the control of SBC/Ameritech and that's why
20 the times are different and that's why the rule is
21 stated to be inside Ameritech.

22 COMMISSIONER HARVILL: Where is that time?

1 MR. GLOTZBACH: Where is that time? Time is
2 between A and B.

3 COMMISSIONER KRETSCHMER: Are you saying -- let's
4 start again because this seems to be a critical point.

5 Mr. Chairman, I'm going to try to go
6 through it so I understand this one point. We start
7 at A. CLEC makes a call.

8 MR. GLOTZBACH: CLEC computer sends a transaction.

9 COMMISSIONER KRETSCHMER: I forgot there's no
10 people involved.

11 (Laughter.)

12 The computer makes a call, contacts you,
13 provides you that data you need to give a reply. Is
14 time counted in the 26 seconds?

15 MR. GLOTZBACH: Yes.

16 COMMISSIONER KRETSCHMER: His fire wall bounces
17 over your fire wall. That time is counting the 26
18 seconds?

19 MR. GLOTZBACH: Yes.

20 COMMISSIONER KRETSCHMER: You put the information
21 into the computer. You reply to the information it
22 asks for. Now it hits the fire wall going out or no

1 fire wall?

2 MR. GLOTZBACH: Fire wall going out. Fire wall
3 going out of SBC. Fire wall going into CLEC.

4 COMMISSIONER KRETSCHMER: It goes back into the
5 other office. Have you timed each one of these
6 separate -- these three elements separately?

7 MR. GLOTZBACH: We have timed two, B and C, because
8 they're inside our control. We can't time A because
9 we don't have access to that data. It's not time
10 stamped when it comes to us.

11 COMMISSIONER KRETSCHMER: So can you time A?

12 MS. LITCHTENBERG: We have timed A in New York and
13 we have just now gone to EDI pre-order here in
14 Ameritech since the -- we just went to the LSOG4
15 interface. We are trying to time it now.

16 I think if we look back at New York where
17 this was also a critical issue, the statistics there
18 was peri phonetic) plus 4 seconds. The statistics in
19 Texas I believe is 6 seconds for the additional time
20 that Ameritech here wants to turn into 10 seconds.

21 COMMISSIONER KRETSCHMER: Obviously, I don't think
22 you can blame Ameritech for the time you get to

1 preparing the request.

2 MS. LITCHTENBERG: That is correct and I think that
3 is why we are so dependent in this kind of testing on
4 KPMG, which, as everyone stated, is the expert in
5 this.

6 COMMISSIONER KRETSCHMER: That's not the point I'm
7 trying to make. If you cannot blame them for -- you
8 can't blame them for A. Let's forget about A.

9 How much time does it take you on B and
10 C?

11 MR. GLOTZBACH: Depends on the transaction. On an
12 average -- I hate to do averages because the
13 transactions are so different. On an average, 10
14 seconds, 15 seconds, depending upon the kind of
15 transaction.

16 COMMISSIONER KRETSCHMER: You're still under the 13
17 second rule?

18 MR. GLOTZBACH: On the average transactions, we
19 were less than the 13 seconds. It is a confusing
20 point and there are collaboratives that all of us
21 suggest, CLECs and us, to look on the EDI Interface.
22 Okay. What should that be and let's have a business

1 rule around that once we collaborate about that. We
2 don't disagree that there needs to be a rule around B
3 and we need to collaborate as to what that should be.

4 Our point in illustrating this was to
5 save 26 seconds encompasses things that aren't in the
6 business rule.

7 COMMISSIONER KRETSCHMER: The business rule is part
8 of the merger order?

9 MR. GLOTZBACH: Master Test Plan.

10 COMMISSIONER KRETSCHMER: Master Test Plan?

11 You are saying the Master Test Plan and the business
12 rule are identical. Okay.

13 Just one other question, and this is for
14 all four of the CLECs. I seem to hear you say do it
15 right, don't do it fast. Is that what I'm hearing?
16 You prefer as competitors to have this process take
17 longer rather than shorten it in some method -- in
18 some way so that we can cut out -- maybe we only need
19 to address the top 15 issues you have or top 20
20 issues, whatever it is? Are you saying --

21 MR. CONNOLLY: If I may, Madam Commissioner, we
22 negotiated and agreed upon the Master Test Plan.

1 That's what we expect to see executed, and KPMG
2 executed and reported on it, and then you have the
3 information that you need to determine whether or not
4 Condition 29 has been satisfied.

5 COMMISSIONER KRETSCHMER: I thought the Master Test
6 Plan was laid out in our merger order. It was a part
7 of the merger order. We had that done.

8 MR. CONNOLLY: Your order says develop a Master
9 Test Plan and we're now in Phase III of Condition 29,
10 which is to test the implementation of the system
11 changes negotiated through Phase I and Phase II.

12 COMMISSIONER KRETSCHMER: So this test plan was
13 drafted in collaboration with our staff, and with
14 the CLECs, and with the company?

15 MR. CONNOLLY: That's correct.

16 COMMISSIONER KRETSCHMER: And everybody agrees to
17 it?

18 MR. CONNOLLY: That's correct.

19 COMMISSIONER KRETSCHMER: Now you are saying you
20 want to have that -- if I could tell you get it done
21 in six weeks, if we made some changes, or six months
22 if we don't, your preference is to go to the six

1 months?

2 MR. CONNOLLY: We don't know what the changes are.
3 It's quite conceivable that we would be able to agree
4 on changes, but we don't know what they are.

5 We are looking at Ameritech's reply to
6 KPMG's interim report and it's unclear what sort of
7 changes they're advocating. If they would put those
8 in front of us, we could in good faith sit down and
9 understand those and determine what would be the
10 consequence on Condition 29 matters to effect a
11 change, but we don't have any data to work with.

12 COMMISSIONER KRETSCHMER: Would you agree with what
13 he just said?

14 MR. COX: Yes. I would like to add a point that
15 there was a comment made that we don't need to re-test
16 what we already tested in other states. I don't think
17 we ever said that we know that that exact system and
18 process is the same that you have to re-test in every
19 state in the Ameritech region.

20 COMMISSIONER KRETSCHMER: You wouldn't have to?

21 MR. COX: We wouldn't have to if you could prove to
22 us or KPMG that that is the exact same process and

1 test. Unfortunately, we don't know if that's the
2 case.

3 COMMISSIONER KRETSCHMER: MCI?

4 MS. LITCHTENBERG: Yes. We would agree that the
5 issue is understanding what Ameritech wants to do and
6 working together to see if it meets the needs of the
7 test plan. As we have all said, this test plan has
8 always been out there. The reports are out there
9 from every other state. There is no way that you
10 couldn't go and find out exactly what was going to be
11 tested.

12 COMMISSIONER KRETSCHMER: Okay. Last.

13 MS. SPRAGUE: McLeod agrees as well. We would want
14 to make sure we have an idea of what was being
15 excluded from the test. I'm not sure how definitive
16 you are going to be able to make that. That's going
17 to be your problem.

18 Each CLEC is going to be impacted by --
19 particular tests may vary per product. It's going to
20 be a very hard call to just remove tests. It's going
21 to have to be a voting procedure to make the
22 integrity of the test fair. It would be important to

1 make sure we're not removing a test that's going to be
2 viable for one CLEC and possibly not another.

3 On the remark that was made with the
4 platform -- the OSS platforms mirroring each state, I
5 would like to see a diagram from each state actually,
6 not just the process but the actual systems in the
7 back end. I would like to make sure that you have the
8 same setup as you do in Illinois as you do in Indiana.

9 If you could do a diagram that would show
10 us that your back end system architecture mirrors each
11 other, I think that would be very helpful.

12 COMMISSIONER KRETSCHMER: And thank you very much,
13 very, very informative answers. Thank you.

14 CHAIRMAN MATHIAS: Commissioner Harvill.

15 COMMISSIONER HARVILL: Thank you.

16 For Ameritech, you spoke earlier on about
17 the Master Test Plan and KPMG not acknowledging the
18 tests that have occurred in other states. I think
19 very early on this Commission stated that we weren't
20 going to rely on what occurred in Ohio, or Michigan,
21 or Indiana, or Wisconsin, that we were doing our own
22 testing here in Illinois as a condition of the merger

1 between SBC and Ameritech.

2 I would like to know where in the Master
3 Test Plan it says KPMG shall look at what other states
4 are doing and rely on that as their testing.

5 MR. GLOTZBACH: Okay. Commissioner Harvill, what
6 it says is it says in the Master Test Plan -- I don't
7 have the exact words -- it says KPMG has
8 responsibility, and it's in the Illinois Master Test
9 Plan as well, to utilize data from other states and
10 bring it to the Commission's attention that would
11 potentially expedite the test and avoid duplicative
12 testing.

13 I agree and understand that this
14 Commission initially said that, and I think this
15 Commission, what I perceive today to be, was to
16 review the process and ways to identify process
17 changes, not MTP changes. I don't think there's
18 anything we are proposing today we are proposing an
19 MTP change. MTP allows for auditing, mentions
20 sampling in terms of performance measures. We are not
21 recommending to do away with all these tests. We
22 said we want to do a performance measure audit. We

1 just think it should be an audit.

2 COMMISSIONER HARVILL: You stated -- I don't
3 disagree that you're passing a portion of the test in
4 Ohio and KPMG brings it to us and saying they met this
5 requirement in Ohio, and based on the data and the
6 observations in Ohio, they're meeting that portion of
7 the test. They're coming back to us and saying
8 they're not meeting those portions of the test.

9 MR. GLOTZBACH: I understand that. You are right.
10 If they -- we pass a portion of the test in Ohio, KPMG
11 has a responsibility to come back to this Commission
12 and say we passed this portion in Ohio. We see the
13 system in Illinois are similar, are the same, and we
14 don't see a need for duplicative testing.

15 COMMISSIONER HARVILL: The other thing I wanted to
16 ask you, since this seems to be the topic of the
17 day, let's go to Slide eleven again. You have a CLEC,
18 an EDI interface and the Ameritech -- SBC/Ameritech
19 back office systems in your diagram.

20 The EDI interface is built specifically
21 between the CLEC and the ILEC, correct?

22 MR. GLOTZBACH: It's actually built in the

1 Ameritech systems and it is a published interface that
2 tells the CLEC what bits of data should come in, and
3 what field and addresses, and when we return the order
4 back how we would format that.

5 COMMISSIONER HARVILL: Who's responsible for that
6 EDI interface?

7 MR. GLOTZBACH: We are responsible for the design
8 and requirements because we are responsible for the
9 maintenance and the impact of it.

10 COMMISSIONER HARVILL: Okay. When it comes to the
11 issue of timing the data as it travels from a CLEC to
12 interface, which is a part of the SBC system into the
13 SBC back office system, to retrieve that data and send
14 it back out, according to your position, where does
15 the timing begin and where does the timing end?

16 MR. GLOTZBACH: The timing begins on the right side
17 of B.

18 COMMISSIONER HARVILL: On the right side of B?

19 MR. GLOTZBACH: Right side of B.

20 COMMISSIONER HARVILL: It does not include the
21 interface?

22 MR. GLOTZBACH: The interface is what we are asking

1 to collaborate on what that should be. It's an
2 industry standard in orange says how much should be in
3 the interface, make that a separate business rule from
4 C.

5 COMMISSIONER HARVILL: Okay. So the confusion here
6 seems to be from whether or not the EDI interface is
7 included in that timing process, correct?

8 MR. GLOTZBACH: And whether the time in A is
9 included because KPMG's statement A was also included.

10 COMMISSIONER HARVILL: Actually, it's not. On Page
11 77 of the transcript they state very clearly that we
12 actually time stamp that when it leaves our fire wall
13 so ultimately it goes to a circuit that interconnects
14 our data center with the data center of Ameritech and
15 we take a time stamp, and when that transaction comes
16 back, that transaction is uniquely identified, so it's
17 not hard to see that's the response of this
18 transaction. We take a time stamp when it hits our
19 fire wall.

20 And as far as the overhead out there,
21 it's stated very clearly it's not 8 seconds. It's a
22 fraction of a second, so unless Mr. Sears was not

1 telling the Commission and giving the Commission
2 an accurate statement at that point in time --
3 MR. GLOTZBACH: I'll leave it.
4 COMMISSIONER HARVILL: -- it seems fair to me that
5 it's not included.
6 MR. GLOTZBACH: Let's leave that your conclusion,
7 but the fact remains the time stamp when it's in their
8 fire wall does not -- does take into account the time
9 it takes to get it to the EDI interface. That's
10 outside our control.
11 COMMISSIONER HARVILL: Right. He said it's
12 a fraction of seconds.
13 MR. GLOTZBACH: I haven't seen the data that says
14 that, and it would be unusual if it were.
15 COMMISSIONER HARVILL: But in reality, would you
16 agree that if the EDI interface and back office
17 systems were combined, both of which Ameritech is
18 responsible for that? We're talking about 26 seconds
19 that --
20 MR. GLOTZBACH: No, I wouldn't conclude that. I
21 believe that's improper data and conclusion, because I
22 think everything to the left side of the EDI interface

1 and whatever's involved in the CLEC systems, which we
2 don't know what they are, is included in the 26
3 seconds.

4 COMMISSIONER HARVILL: Mr. Sears says it isn't.

5 MR. GLOTZBACH: He said it wasn't very much. He
6 didn't say it wasn't included.

7 COMMISSIONER HARVILL: Okay. I think I see the
8 problem, and the problem that you and KPMG aren't
9 communicating effectively on this issue.

10 MR. GLOTZBACH: When a transaction is time stamped
11 in their system, the time it takes to leave their
12 system and get to our system is included and they say
13 it's not. It's just a matter of positional
14 definition.

15 COMMISSIONER HARVILL: It seems we're arguing with
16 semantics at this point in time. We have a problem
17 that it takes 26 seconds whether it's from the time it
18 leaves the CLEC fire wall, whether it's in the EDI
19 interface, or whether it's in the SBC back office
20 systems. What I hear you saying is it's working okay
21 and what I hear KPMG saying it isn't working okay.

22 MR. GLOTZBACH: I didn't mean to say it was working

1 okay. I don't know anything about everything on the
2 left side of B, and it's not -- the point I'm
3 emphasizing, and not to be overdoing it, but to say
4 it's a very real element of the system
5 transport and it needs to be taken into account.

6 COMMISSIONER HARVILL: On Page 2 of your
7 presentation of Ameritech you state "In the 15 other
8 states that have received 271 approval, long distance
9 rates have decreased and local competition has
10 increased."

11 Can you provide me with any documentation
12 for that? I would greatly appreciate that. A lot
13 of times statements are made before the Commission
14 without any support. I would actually like to see
15 that data that supports that conclusion, the same with
16 the third bullet point regarding the Commission's
17 timely promotion of competition will result in more
18 consumer choices and lower prices, and they are
19 specifically referring to the "lower prices, "on Page
20 3, "The FCC has held the most probative, in other
21 words, the best evidence of operational readiness is
22 the commercial volumes of CLEC active using ILEC's

1 OSS."

2 Does the FCC say anything with regard to
3 the accuracy of the volume of that testing?

4 MR. GLOTZBACH: The FCC relies on the performance
5 measures -- performance metrics in terms of
6 performance of those systems.

7 COMMISSIONER HARVILL: If we don't have accurate
8 performance measures --

9 MR. GLOTZBACH: Everything I've seen in the
10 performance measures indicate they're solid.

11 COMMISSIONER HARVILL: And any contradiction to
12 what KPMG presented to the Commission?

13 MR. GLOTZBACH: Commissioner Harvill, I have looked
14 at the restatement, and the restatement numbers I have
15 are less than 7 percent a month, and of those
16 restatements, less than one percent can change any of
17 the measures and you have the thousands of measures
18 from a miss to a make or a make to a miss. So in
19 terms of making substantive issues, I don't -- I
20 haven't seen them.

21 COMMISSIONER HARVILL: You said 7 percent. On Page
22 4 you talk about "SBC/Ameritech's OSS supports more

1 than 75,000 pre-orders and 25,000 of those result in
2 actual customer orders."

3 If 7 percent of those 25,000 are
4 inaccurate, that's a substantial number on a daily
5 basis, would you not agree?

6 MR. GLOTZBACH: What I'm saying there's 7 percent
7 that may have a change, but not 7 percent that are
8 substantive to the change.

9 COMMISSIONER HARVILL: Again, on Page 5, first two
10 data or first two bullet points, if you could provide
11 any data supporting those, I would be greatly
12 appreciative of that.

13 On Page 8, your third bullet point,
14 starting with "second, and much more worrisome,
15 the performance measurement validation is far behind
16 schedule," you talk about conducting a valid
17 statistical audit of existing performance
18 measurements."

19 I believe that KPMG during their
20 presentation a couple of weeks ago stated even if they
21 were to conduct valid statistical testing,
22 SBC/Ameritech still wouldn't pass at this point in

1 time.

2 MR. GILLIAM: I don't think they would have any way
3 of knowing, because they have not done that.

4 COMMISSIONER HARVILL: So there, again, KPMG is
5 providing inaccurate information to the Commission?

6 MR. GILLIAM: I think KPMG is doing replication and
7 not doing audit.

8 COMMISSIONER HARVILL: That's all my questions, but
9 I find it troubling that, you know, as a Commission we
10 are required to sit here and evaluate the position of
11 the parties and the arguments to parties to reach
12 various conclusions, and I see SBC/Ameritech coming in
13 and seeking to have the test modified or, in their
14 terms, the process modified with the results of
15 testing being concluded sooner.

16 I see the CLECs arguing that we should
17 stay the course and complete the test as it was
18 originally designed, and then we have KPMG who has
19 evaluated this test as an independent third-party
20 tester saying that SBC isn't meeting the provisions of
21 the test that the Commission approved previously, and,
22 you know, SBC has something to gain to have this test

1 concluded sooner rather than later and possibly the
2 CLECs have something to be gained if the test is
3 completed later rather than sooner.

4 So we are left to rely on KPMG as an
5 independent third-party, and convince me otherwise
6 that we shouldn't rely on the independent third party
7 in this proceeding to stay the course and finish the
8 test plan as it was originally designed and agreed to
9 by all the parties.

10 MR. GLOTZBACH: I guess that's exactly why we are
11 asking for a valid statistical audit because I think
12 that would prove the data and through which the
13 parties' assertions are true.

14 The problem with replication in our mind
15 is a procedural one. Replication says a very long
16 process. KPMG says give me the data, give me the
17 interfaces, give me the systems, give me the rules
18 of -- the lines of code, give me the logic to
19 calculate measurement, so we hand those over to KPMG
20 as fast as we can.

21 The problem with that process is when
22 there's thousands of lines of code and thousands of

1 requirements, there's bound to be statistical errors
2 in there, so when we hand that to KPMG and they
3 rebuild from our blueprint, mistakes will be
4 replicated.

5 The reason I personally and my team is so
6 eager for a valid statistical audit is because it will
7 take actual data, actual orders, actual customers
8 and say here's what's accurate and here's what needs
9 to be improved. It's a matter of how logically is the
10 best way to get at improving the systems.

11 COMMISSIONER HARVILL: Thank you.

12 MR. GILLIAM: Commissioner Harvill, can I address
13 one piece?

14 COMMISSIONER HARVILL: It depends. I don't know if
15 you want to or not.

16 MR. GILLIAM: Well, I think it is important. You
17 made a point that it's a challenge for the Commission
18 to have, and maybe it's ashame the Commission has to
19 get involved in this level of detail -- involved
20 in excruciating detail the Commission has to be
21 involved to getting these things completed.

22 I can give one example to KPMG to talk

1 about the replication. Mr. Glotzbach mentioned the
2 issue of replication and why to go that way. Let me
3 give you an idea of kind of what we faced in that
4 replication process frequently.

5 I have got an observation in my hand,
6 Observation No. 53. It happens to be Michigan, but it
7 gives you an idea after all that replication process,
8 rebuilding all that code, looking at all the
9 documentation. This observation is issued and the
10 difference in terms of validity going back to
11 restatements, the numerator in this measure KPMG came
12 up with 403,666 1/2. Now we have got a half, but
13 Ameritech agreeing totally that they measured
14 accurately the numerator 403,666.5 within 100 percent
15 accurate. In the numerator, Ameritech had 104,757,
16 KPMG had 104,753. There were four different. The
17 observation was documented and sent to us even though
18 we were 99.996 percent accurate, and I think that's
19 the kind of thing we need to address and to make sure
20 this thing progresses and we look at the big picture.
21 Thanks.

22 COMMISSIONER HARVILL: The CLECs

1 may comment.

2 MR. COX: I would love to respond.

3 (Laughter.)

4 I want to take a different spin on this.

5 There are probably situations that may be true that
6 it's so close that maybe we're fighting over nothing.

7 On the flip side of this, we haven't even
8 gotten down to a level of measuring and truly
9 validating what we say is the CLECs versus what they
10 say as the ILEC.

11 All you are seeing is their data. You
12 haven't seen our data yet. I have examples of what we
13 say doesn't match what they say, not even counting
14 what KPMG is saying.

15 So my point is this. Technicians have
16 the capability of skewing this test any way you want
17 and I'll not sure we're measuring down to the level of
18 performance at the technician level because they can
19 change codes any time they want to. They can apply a
20 code to something that's not accurate. I challenge
21 all those every day.

22 I can give you an example. We are being

1 charged for trouble isolation charges today that
2 simply are not true and we have to dispute these
3 things. So if we can't agree at that lower level, at
4 least we should be able to agree with the business
5 rule and use their data, including step, by step, by
6 step as to how that data is calculated. If we don't
7 know that, how are we going to trust? It's the old
8 trust me thing today. I don't think so.

9 MS. LICHTENBERG: Let me take it up one notch on
10 this. First of all, I think we need to be clear this
11 was an observation. One of the things that this test
12 does is the test has observations which basically say,
13 hey, SBC/Ameritech, we think there's a problem here.
14 Would you like to look at it, and an observation gives
15 SBC the chance to come back and say, well, look, guys,
16 it's only 30, so maybe we can try it again and track
17 it. It's not an exception.

18 The point is that only if you can rebuild
19 the metric do you know if the metric is being tracked
20 correctly. Their metrics have a set of rules and part
21 of those rules include orders that are excluded, and
22 so if the order was submitted at 3 in the morning on

1 Thursday, you exclude that from the metric. That's
2 what KPMG in every test they have ever done is looking
3 at, because it's those exclusions, it's the fact that
4 you can add 2 and 2, subtract 1, and come up with 3
5 every time. That matters and it matters to you as a
6 Commission because this all falls in your lap, because
7 these metrics have penalties attached, these metrics
8 are the long-term way of managing.

9 I just want to understand that the
10 metrics are correct, that they are replicable --
11 that's a word -- that they are calculated properly,
12 that the data is there to go back and look at, and
13 that is what SBC/Ameritech appears not to want to do.

14 I don't know what they mean by an audit.
15 Certainly, if they wanted to bring in another company,
16 we have a valid master test plan. The fact that data
17 gets replicated for three months is in every test
18 plan, and it's New York, it's Florida, where KPMG is
19 starting from scratch because the metrics were changed
20 by BellSouth and they're not trying to shoot the
21 tester.

22 So bringing in someone else, fine. We

1 have got a test plan, maybe KPMG's calculator's
2 broken, but the methodology is sound and it's been
3 sound, so I'm not sure what SBC wants us to do here,
4 and I am very concerned, because I have not heard it
5 explained.

6 MR. GLOTZBACH: It's not true statistically that
7 the only way to verify the accuracy is to rebuild the
8 metrics. The only way to guarantee the result is to
9 take the actual order, follow it through, check its
10 timing and see how it's measured. Rebuilding
11 the metric does not allow you to do that.

12 MS. LITCHENBERG: I believe that's what KPMG
13 actually does in the test. I also believe that on the
14 exception calls and the observation calls
15 SBC/Ameritech has agreed with the majority of these
16 exceptions and observations, so I'm confused.

17 MR. GLOTZBACH: I am, too, because I don't know
18 what that has to do with the statistics or accuracy of
19 the measurement.

20 MS. LICHTENBERG: We are not going to turn --

21 COMMISSIONER KRETSCHMER: This is our meeting.

22 (Laughter.)

1 COMMISSIONER HARVILL: Are there other comments?

2 MS. SPRAGUE: Really quick, we touched on the fact
3 that the PMs or observations that you showed had four
4 missing test discrepancies. It doesn't matter if it's
5 one, two, or three, or four. It proves the integrity
6 of the calculation is questionable and that's what a
7 measurement does. Do you have the tools in place at
8 SBC to measure the -- to adequately to mirror the
9 measurement of KPMG, because if there's four, you
10 don't. That means your tools don't mirror the ability
11 of true production orders that KPMG is mirroring.

12 MR. GLOTZBACH: I think the point to make here is
13 if KPMG is trying to measure past 99.996 percent
14 accuracy, we are going to be here a long time.

15 MS. SPRAGUE: But 4 -- your test when it comes to
16 measurement calculations, 4 is enough to stop that.

17 CHAIRMAN MATHIAS: We'll conclude that.

18 Are there questions from the
19 Commissioners?

20 Mr. Hurley.

21 COMMISSIONER HURLEY: Sure.

22 (Laughter.)

1 Now I'm completely confused, Sherry, by
2 what you had to say.

3 Commissioner Kretschmer has been fretting
4 about this 26 second problem for the last few weeks,
5 and I explained to her last week that it really just
6 has to do with the fact that there's so many lawyers
7 involved in these proceedings and we have all heard
8 the old joke about you can ask anybody how much is
9 2 and 2 is four, except from you ask a lawyer, he
10 tells you what he wants it to be. It is a tough issue
11 to understand. I'm obvioulsy not going to get as
12 specific here.

13 I'm a little disappointed. I was hoping
14 -- well, let me preface this. It never fails to amaze
15 me how in the proceedings at this Commission and when
16 parties come together there never ever, ever seems to
17 be room for compromise, and that is unfortunate that
18 we are always burdened with coming up with the
19 compromise and no one ever seems to want to let go of
20 anything, but that's been going on ad infinitum with
21 this Commission.

22 I'm a little disappointed that the CLECs

1 didn't come in today and suggest exactly that, what
2 you can live with and what you can't. I was hoping to
3 hear that. That's not what I heard from anybody today
4 on your side.

5 It would have been very helpful to me if
6 I could understand better and practically those issues
7 that are out there that you absolutely can't live with
8 and how we, as a Commission, could resolve those for
9 you, and basically all we did was come here and say,
10 you know, we have got to do it the way we're doing it
11 when clearly the Commission is making an attempt to do
12 something about -- you know, as I said in our earlier
13 meeting, you know, stopping the bleeding in this
14 thing.

15 Mr. Glotzbach, you used an expression,
16 and I'm going to repeat it to you. Tell me if I'm
17 mistaken. KPMG is providing erroneous, incomplete,
18 and inaccurate representations to this Commission.
19 That's a lot of adjectives. I remember them because I
20 like them.

21 (Laughter.)

22 What do you want us to do about that?

1 You suggested in your presentation on Page 11 and Page
2 8 and you advanced an idea of hiring another auditor.
3 It's not the first time I have heard that advanced.

4 Isn't that to slow this process down even
5 more or help me understand why that's a viable
6 alternative to what's going on.

7 MR. GLOTZBACH: I think it's a viable alternative
8 because it's a replication of the performance measures
9 that's taking all the time and it's taking all the
10 time other places, because it does rebuild a system
11 it's taken us several years to build.

12 COMMISSIONER HURLEY: And why do we replicate as
13 opposed to audit? You are advancing audit as opposed
14 to replicating.

15 MR. GLOTZBACH: Replicating is KPMG's methodology.
16 It's not following the master test plan so I made it
17 up, so I did -- another method is a statistically
18 valid audit.

19 COMMISSIONER HURLEY: So ostensibly we, the
20 Commission, could tell them to stop that.

21 MR. GLOTZBACH: You could.

22 COMMISSIONER HURLEY: Stop replicating, audit the

1 issues, and let's move on. I know there's much
2 chatter. It started during our last meeting with
3 KPMG. I had gotten some notes from our colleagues in
4 Michigan on what they are doing in Michigan making
5 some changes I'm assuming in an effort to expedite a
6 process which the Commissioners up here feeling is
7 taking entirely too long.

8 I had asked the question during the last
9 meeting what's going on up in Michigan. From your
10 perspective what is going on up in Michigan and can we
11 live with any of that, and, secondarily, how long is
12 that going to take?

13 MR. GLOTZBACH: What's going on in Michigan is that
14 there has been agreement in summary fashion of 153
15 principle performance measures, 153 categories. We
16 have agreed on 44 are the most critical, and those 44
17 are meant to be the ones that would be most injurious
18 to competition if they were poorly calculated
19 measurements or where the service were delivered
20 poorly. So --

21 COMMISSIONER HURLEY: That's what I was saying a
22 few minutes ago with the CLECs. I mean, that's sort

1 of what I'm looking for.

2 MR. GLOTZBACH: The key 44.

3 COMMISSIONER HURLEY: What was the number?

4 MR. GLOTZBACH: Forty-four with what we came up.

5 COMMISSIONER HURLEY: In Michigan?

6 MR. GLOTZBACH: In Michigan. And then those 44 are

7 being replicated, focuses on 44 rather than on 109

8 others. Is that an ideal situation for us? No. Is

9 it workable? We hope it's workable. We have had the

10 data from KPMG several weeks ago and we haven't made

11 any progress on the 44.

12 COMMISSIONER HURLEY: What kind of time frame do

13 you see up there?

14 MR. GLOTZBACH: We wanted to be done by the end of

15 August. We thought the 44 would get us there.

16 COMMISSIONER HURLEY: It seems unlikely.

17 MR. GLOTZBACH: It seems unlikely at this point.

18 MR. GILLIAM: Commissioner Hurley --

19 COMMISSIONER HURLEY: Yes.

20 MR. GILLIAM: -- as far as specifics in Michigan,

21 it's probably helpful to give you a clear perspective.

22 We have been at it six weeks now and KPMG has been

1 able to replicate 9 measures. We are about
2 one-and-a-half measures a week. We are hoping and the
3 Michigan Commission is hoping for an extreme
4 immediately
5 accelerated pace, but if you took that out ad
6 infinitum, we --

7 COMMISSIONER HURLEY: When I spoke to one of my
8 colleagues, that was the impression I got. I mean,
9 that was the plan.

10 MR. GILLIAM: That's why after our experience in
11 Michigan, that other commission is probably as
12 frustrated as we are in the process. We have gone the
13 farthest step and said it's probably better just to
14 start with another auditor and audit as opposed to
15 even select the 44.

16 CHAIRMAN MATHIAS: I'm sorry, Mike. Could you say
17 that again for me.

18 MR. GILLIAM: That's why our recommendation today
19 and our prior recommendation, you heard us say, we
20 recommend utilizing another auditor to do an audit as
21 opposed to replicating even 44, because the current
22 path on those 44 is several months out and that don't

1 even include the data integrity piece that follows
2 that.

3 MR. HURLEY: I suppose nobody else thinks that's a
4 good idea that's here today?

5 MR. COX: I'm a little confused where the 44 number
6 came from. Were CLECs involved with that discussion?

7 MR. GILLIAM: The Michigan Commission handled that
8 process in terms of the 44. I think there were 44
9 the FCC identified in the majority of their orders as
10 being the most critical.

11 CHAIRMAN MATHIAS: Mr. Hurley.

12 COMMISSIONER HURLEY: Are you cutting me off?

13 (Laughter.)

14 CHAIRMAN MATHIAS: No, I was cutting off Mr. Cox.

15 COMMISSIONER HURLEY: Actually, I have a question
16 for Mr. Cox. You touched on this and actually you did
17 a pretty good job I think and I certainly have heard
18 Ms. Campion reply to this inquiry, one that you get
19 all the time. You touched on it earlier, but maybe go
20 a little further.

21 How do you justify your positions here
22 when, in point of fact, you have been able to take 20

1 percent of the market from Ameritech using the OSS
2 that exist? And you touched on it, but you didn't
3 touch on it that well. How do you do that? And if
4 you don't want to take it, I'm sure Ms. Campion would
5 love to take it.

6 MR. COX: I'll say briefly that things were working
7 better if it could be 50 percent of the market.

8 COMMISSIONER HURLEY: I have to think about that
9 response. I'm finished.

10 CHAIRMAN MATHIAS: Commissioner Squires.

11 COMMISSIONER SQUIRES: Thank you very much,
12 Mr. Chairman. I have just a couple of questions, but
13 I'm not going to go to this. I really would like to
14 go back to the report that SBC submitted to us a few
15 days ago and one of the areas that I will go to is on
16 Page 4 of the report.

17 You suggest that the Commission should
18 expeditiously resolve interpretive disputes between
19 KPMG and SBC and in those areas on Page 4, and I won't
20 have to pull it out, but you say interpretive disputes
21 should be expeditiously resolved by the Commission and
22 then you say remove the restrictive communications

1 process between KPMG and SBC/Ameritech.

2 And since I alluded to this actually two
3 weeks ago, and I couldn't seem to get an answer, do
4 you have any way in which you think that you can
5 accomplish resolving this expeditiously and removing
6 the restrictive communications between KPMG and
7 SBC/Ameritech?

8 MR. GLOTZBACH: Just a couple of short responses on
9 the interpretative disputes, I believe that refers to
10 the time stamp issue and we talked about it a lot
11 today and it is an interpretive dispute at times.
12 That's what that illustrates or alludes to.

13 Secondly, on the restrictions, what would
14 really be helpful to my team and I, when we have a
15 technical conference need with KPMG about what does
16 this rule mean, is this really the data field you
17 want, is this what you want the interface to do, we
18 just would like to sit down technically and resolve
19 that, answer the question and move on, just a matter of
20 faster expedition of technical questions.

21 COMMISSIONER SQUIRES: And I would like to suggest
22 a third final course of that, and that is when KPMG

1 and Ameritech can positively or at an impasse, and I
2 don't say this lightly and I don't say that we on this
3 Commision would like to be involved in every issue,
4 but when there is a complete impasse, rather than
5 adding lots of money to the process, perhaps it would
6 be wise if you actually brought it directly to the
7 Commission and we could do something about it, then
8 another area along this -- in response to
9 KPMG's allocations, you explained that more follow-up
10 information has been provided than what KPMG gave you
11 credit for; however, as we know, this came out, and
12 much of it has been provided after the June 20th
13 meeting.

14 For example, on Page 11 there's a July --
15 keeping in mind that June 20th is the optimum date
16 that we were -- that we had our meeting, but you
17 mentioned that July 1st over 85 percent of all
18 observations and expectation issues, and you went from
19 there, then you say a report went into production on
20 June 25th within the expected addressed KPMG's
21 remaining few concerns, and then you indicate on Page
22 13 that on June 28th there's a KPMG pending review,

1 again all of which are after the June 20th meeting,
2 and then again on June 25th you talk about flow
3 through. It was necessary for both the company and
4 KPMG to agree to a complete mutually understood
5 definition of what it means for these to flow through.

6 You know, flow through, I would think
7 that a year-and-a-half ago flow through and
8 establishing definitions for flow through should have
9 been -- I think being on Page 25 of 25 is a little
10 late for definitions of flow through.

11 So the Chairman mentioned or somebody
12 mentioned at the last meeting and we -- and the
13 Chairman continued to talk about breaking the dam.

14 Is this some indication that after our
15 last meeting that the dam was broken to some degree?

16 MR. GILLIAM: Commissioner Squires, I would say no.
17 We have been replying 9 miles an hour with hundreds of
18 people every day for months, I mean just to supply
19 documentation for PMs was 40 people over five months,
20 so I would say no we are still doing as diligently a
21 job as we had been for many months.

22 The point we are making I think is

1 performance metrics is a long pole in the tent and
2 that's the area we want to focus on in addition to the
3 individual time stamp issue.

4 COMMISSIONER SQUIRES: And just a final observation
5 and conclusion, I think that Ms. Campion mentioned
6 dummied down the test. We started off by saying that
7 the test was going to be completed on July and it's
8 mentioned again on your report on Page 7 that it would
9 be completed by July 1st, then it went to September
10 the 18th, and October the 22nd, and then your final
11 point is and there is no end in sight, which is an
12 ominous threat.

13 And so my question then is are you
14 indicating that if we don't dummy down the test that
15 perhaps this could be finished before October the 22nd
16 and no end in sight?

17 MR. GILLIAM: Commissioner Squires, we're not
18 recommending dummied down the test at all. When we
19 talk about statistically valid audit, that's the type
20 of audit that is done everywhere. KPMG has not done a
21 performance measure audit.

22 I think the Qwest states were mentioned.

1 KPMG did not do the audit. They did not do the audit
2 in California, Nevada, southwestern. There are
3 many state. They didn't do it in Arizona.

4 We are not talking about dummifying down
5 the test. You have got Price Warehouse. You have got
6 Ernst & Young. You have got probably Hewlett-Packard.
7 You have got may companies out there that have done
8 this and can do this. They don't consider it as dummy
9 down at all. It's another approach that's less
10 cumbersome and more efficient.

11 COMMISSIONER SQUIRES: Do you feel when you say no
12 end in sight, can you actually give a possible date to
13 that?

14 MR. GILLIAM: Let me give it a shot. I would say
15 that left to the current process -- and this is kind
16 of thinking as I walk through it, if KPMG is left to
17 replicate the measures, all 153 or go into 44, that
18 this test could easily last until the end of the first
19 quarter, second quarter of next year, just looking at
20 the past track record and talking about calling all
21 the other ILECs to see about how long this metric test
22 is taken in the states they have been in, which are

1 about five or six states, best guess, right.

2 COMMISSIONER SQUIRES: Which means that a number of
3 people that are sitting here right now may not be
4 here.

5 MR. GLOTZBACH: They could probably celebrate.

6 COMMISSIONER SQUIRES: That's true. Thank you.

7 MR. CONNOLLY: Could I correct something for
8 the record, Madam Commissioner?

9 COMMISSIONER SQUIRES: Yes.

10 MR. CONNOLLY: SBC gentleman mentioned the rock
11 test did not employ KPMG as the auditor, and that's
12 correct. Liberty Consulting Group performed the audit
13 and did the rock test and they did, in fact, do
14 replication of the metrics and they did a data
15 integrity test and audit of the data reconciliation
16 program is what it was called, so that test also
17 involved replication of metrics no differently than is
18 currently contemplated in the Ameritech test plan.

19 COMMISSIONER SQUIRES: Thank you.

20 MR. GILLIAM: I think there were several comments
21 during this conversation about one side is over here,
22 one side is over there. I would encourage the

1 Commission to talk to some of those other third
2 parties that have done it and get opinions
3 from them and not lean on the CLECs and not lean on
4 us.

5 CHAIRMAN MATHIAS: With regard to the
6 representatives at the table, other than Ameritech, I
7 ask have the OSS systems as far as the systems of
8 processes are concerned improved substantially since
9 January 1 of 2001?

10 MS. LICHTENBERG: From WorldCom's perspective, the
11 system have gotten better. We believe that Ameritech
12 may have cured their problem with line loss and we are
13 seeing fewer missing line losses as a result of the
14 testing and as a result of pressure brought from this
15 Commission.

16 We have had a difficult time with the
17 change to the uniform systems that SBC has put in
18 place. MCI WorldCom moved to LSOG4. We're seeing
19 fewer missing service order completions and firm order
20 confirmations, but we still have to track them on a
21 daily basis, and we still have to report them to our
22 accounting, and we still have to take them and try to

1 get Ameritech to answer to why they're missing.

2 I, for one, would love to be able to go
3 directly to the Ameritech IT folks rather than to have
4 to try to report things in open and trouble tickets
5 through people that don't really understand how the
6 systems work.

7 We are not seeing any improvement in
8 service order quality. When a customer comes to us,
9 he is not getting the features that he asks for.

10 A recent example is a customer who came
11 to us for voicemail, his call forward busy don't
12 answer number was provisioned incorrectly. It was
13 translated to some customer's personal 800 numbers, so
14 all of this guy's voicemail messages went to that
15 number, and it only happened once we think.

16 We asked SBC/Ameritech do a scan of their
17 record to tell us whether it could have happened more
18 than once, because I don't want to wait until people
19 call me to say they're getting funny messages on their
20 800 numbers. Ameritech's said they didn't have
21 any records and they weren't going to do that for us.

22 CHAIRMAN MATHIAS: I don't mean to cut you off in

1 your response, but let me ask if there's any companies
2 sitting at the table believes that the OSS systems and
3 processes of SBC/Ameritech have not substantially
4 improved since January 1, 2001?

5 MS. SPRAGUE: I would say with the release of LSOG4
6 and 5 and being that McLeod is currently using an
7 LSOG5 tool bar and an LSOG5 EDI (sic), it is the only
8 one actually going into production, so I'm seeing the
9 true light of it.

10 I'm unable to pull and receiving a 50
11 percent error rate on my CSR pulls. Currently in EDI
12 LSOG4 -- excuse me -- CORBRA LSOG4 with the service
13 bureau provider that we are intending to project with,
14 50 percent -- it's down from 90 to 50 percent on post
15 (sic) unavailable issues are still out there, server
16 issues in general. SBC is unable to attack that at
17 full force. That's happening in all regions.

18 CHAIRMAN MATHIAS: Ms. Sprague, you are saying
19 there have not been substantial improvements in the
20 OSS system to support --

21 MS. SPRAGUE: In my opinion, there have not.
22 On Issue 7, my life is going pretty well. Once I

1 moved to 5, I see a complete shutdown as I'm seeing in
2 a toll bar, so, yes.

3 CHAIRMAN MATHIAS: Then I was intrigued by some of
4 the comments by SBC/Ameritech. At the beginning of
5 the presentation, the statement was made performance
6 measures have barely begun. The performance measure
7 testing has barely begun. The merger order was
8 entered September of 1999. The plan of record
9 approved in April of 2000 KPMG retained in May of
10 2000. KPMG published a report in June of 2001, which
11 stated that there were serious questions regarding
12 data integrity and measurement reporting.

13 Why has performance measurements, in your
14 words, barely begun?

15 MR. GILLIAM: Mr. Chairman, I was using KPMG's 20
16 percent number that they used on a conference call
17 about a couple of weeks ago. They said that in their
18 perspective about 20 percent complete. I think there
19 have been many pits and starts in the process.

20 CHAIRMAN MATHIAS: Why now, three years after the
21 merger order has been entered, several years after the
22 New York testing plan has been conceived and used in

1 New York and other states, this cannot be a surprise
2 to SBC/Ameritech if they're going to be required to
3 have certain performane metrics why has the
4 performance measurements, in your words, barely begun?

5 MR. GILLIAM: My personal opinion is that the
6 replication process in KPMG's methodology is a very
7 voluminous, cumbersome process. I acknowledge that on
8 both sides there were pits and starts early on and
9 it's taken us a long time to get to this point.

10 CHAIRMAN MATHIAS: But you were notified in June of
11 2001 that there were substantial problems with data
12 integrity with regard to performance measurements
13 that's one year ago and your performance measurement
14 program has barely begun?

15 MR. GILLIAM: Excuse me. I misunderstood your
16 question. When you say the performance measurements,
17 and programs, and data integrity started a long time
18 ago. What I was referring to was actually the KPMG
19 replication part of the OSS test barely begun.

20 CHAIRMAN MATHIAS: Where are with regard to the
21 performance measurement process -- just a moment and
22 we'll take a break.

1 (A brief pause.)

2 If the performance measurement system is
3 not begun, then where are you in the process?

4 MR. GILLIAM: Help me understand a little bit of
5 clarification. You are saying performance measurement
6 program or system?

7 CHAIRMAN MATHIAS: I would have to go back and read
8 the transcript of SBC's representative who made the
9 statement and used the words barely begun with regard
10 to performane measurements.

11 MR. GILLIAM: Excuse me. That was me that made
12 that comment. Let me clarify, because it is
13 confusing. The performance measures and metrics have
14 been in place for over a year, about a year and a
15 half, and we were supplying those to this Commission
16 every month in, month out for all that time.

17 My reference to barely begun is the
18 actual performance measure replication that KPMG does
19 as part of this OSS test in KPMG's own words were
20 about 20 percent complete to this point. That was on
21 the OSS test.

22 MR. GLOTZBACH: Actually our performance metric

1 systems are done and we have our own internal audits.
2 That's actually where our restatements come from, so
3 our building it, getting the results and measurement
4 and produce them, finished, that's exactly what we
5 want statistically audited to verify that we have it
6 exactly right.

7 CHAIRMAN MATHIAS: I read the transcripts to find
8 the context in which the statement's made. Actually
9 it's made by neither one of you two here. The comment
10 was also made that we should discount any claims of
11 test failure. Again, that's a direct quote from the
12 representative.

13 In October or September 27th of 1999 an
14 officer of SBC/Ameritech said that SBC/Ameritech
15 notifies the Commission that it accepts the terms of
16 the ICC order.

17 Isn't really the question of whether or
18 not the tests have been completed in a matter as to
19 whether or not you are complying with Condition 29 of
20 the 1999, and, therefore, why should we discount any
21 claims of test failure?

22 MR. GILLIAM: Moving forward with the tests

1 does comply with Condition 29 and we're not saying
2 don't move forward with the test. Condition 29 deals
3 specifically with the systems part of the test and
4 we're saying continue with the systems part of the
5 test.

6 We are saying there are some things that
7 can make it more efficient, but we are not saying
8 anything that would change that merger commitment.

9 CHAIRMAN MATHIAS: Using the words of
10 SBC/Ameritech's representative, why should we
11 "discount any claims of test failure?"

12 MR. GILLIAM: Let me put that in context. I think
13 Ms. Hightman made that comment. What she was saying
14 is this is a military style test. There are going to
15 be failures in that test. You continue to test until
16 it passes. To say -- for anyone to say that we have
17 failed the test and we're sitting about 80 to 85
18 percent complete, we are still in that testing
19 process, so I don't think she meant totally discount
20 any failures that could up.

21 CHAIRMAN MATHIAS: So you say we should not
22 discount any claims of test failure?

1 MR. GILLIAM: I'm saying that the test is moving
2 forward. We have made a lot of progress, that in
3 terms of if KPMG says the test has failed, the overall
4 test or the CLECs, I don't think that's an accurate
5 picture.

6 CHAIRMAN MATHIAS: On Page 3 of your handout you
7 refer to the Federal Communications Commission. What
8 relevance to the standards of the Federal
9 Communications Commission have that you complied to
10 Condition 29?

11 MR. GILLIAM: The FCC conditions -- don't give
12 Condition 29 because Condition 29 was obviously put in
13 position by this Commission.

14 What we have tried to make a point there
15 in terms of the FCC position on OSS testing, because
16 they eventually are the final decision maker and
17 approval in the 271 process. That was it.

18 CHAIRMAN MATHIAS: I was interested in the internal
19 number that was suggested by Mr. Glotzbach on Page 7
20 where you state that SBC/ Ameritech has spent \$170
21 million for five individual state tests and spent \$25
22 million internally related to these tests, so

1 basically every dollar you spent \$7 have been spent by
2 KPMG.

3 What would have been the result if you
4 spent 50 million instead of 25? Could KPMG have
5 billed you for substantially less?

6 MR. GLOTZBACH: Page 7? I think I understand the
7 question. No, we have spent what we needed to spend
8 to respond to everything we needed to respond to from
9 KPMG. I think if we had spent 50 million, it would
10 have had a lot of people, which we already have,
11 sitting there waiting for something we don't have.

12 We have staffed to the point of being
13 able to respond virtually instantly to any requests
14 that comes from KPMG or clarifications, so I would
15 submit that that amount of money is necessary for the
16 testing that we're going through.

17 CHAIRMAN MATHIAS: And, therefore, you think the
18 \$25 million or a ratio of 7 to 1 is appropriate?

19 MR. GLOTZBACH: Well, no, I don't think it's
20 appropriate, because I don't really think that 170
21 million is appropriate. I think it could have been
22 done much more expeditiously with things like

1 statistically valid audits.

2 I think the \$25 million is what's been
3 necessary to be compliant with the testing and I can't
4 really speak to the detail on the 170, because it was
5 incurred by KPMG and paid by us.

6 CHAIRMAN MATHIAS: The articles which I read in
7 the back of the envelope calculation, which I made,
8 would say that SBC/Ameritech Illinois expects to
9 receive a net gain in revenue and income once it's
10 allowed into the Illinois long distance market.
11 That's the whole premise of the Telecommunications Act
12 of '96.

13 Why wouldn't you just spend the money to
14 comply? Instead of spending \$25 million yourself and
15 \$170 million with KPMG, why wouldn't you meet the
16 requirements of KPMG and the Illinois Commerce
17 Commission, which is the vendor which the Commerce
18 Commission employed, and we wouldn't be sitting in
19 this meeting today?

20 MR. GLOTZBACH: We are fully staffed to meet every
21 need and deal with every test attribute.

22 CHAIRMAN MATHIAS: And yet --

1 MR. GLOTZBACH: That's --

2 CHAIRMAN MATHIAS: Yet, performance measurements
3 have barely begun.

4 MR. GLOTZBACH: Performance measurement review, and
5 replication, and completion by KPMG has barely begun.

6 CHAIRMAN MATHIAS: Excuse me for playing the
7 devil's advocate with you, but we appreciate your
8 being
9 here today.

10 With regard to Page 10 and the time stamp
11 issue, isn't it correct to say that this issue, which
12 is responded to very aggressively by SBC/Ameritech, is
13 merely one of 33 exceptions which have been noted by
14 KPMG and, therefore, we spent a great deal of time on
15 this, but it's really one aspect of a multitude of
16 exceptions which have been found in Illinois?

17 MR. GLOTZBACH: It is one aspect, but the other 32
18 substantially been addressed, correctly resolved,
19 redefined, or re-tested with KPMG.

20 The only reason we point out this one as
21 being one of those and being an important one is we
22 are, as Commissioner Squires interpreted, in

1 disagreement as to how to resolve that one.

2 CHAIRMAN MATHIAS: Am I correct in thinking today
3 there are still 33 exceptions by KPMG with regard to
4 SBC/Ameritech Illinois' OSS system?

5 MR. GILLIAM: I don't have the number handy in
6 terms of 32 how many exceptions or of those 32 are
7 being KPMG. What we do know is the last number we
8 looked
9 at was 84 percent of all observations and exceptions
10 were in the hands of KPMG for re-test or closed.

11 CHAIRMAN MATHIAS: The information I had was that
12 as of this morning there were 33 exceptions
13 outstanding between KPMG and SBC/Ameritech Illinois.

14 MR. GILLIAM: Did it say anything about where they
15 stood for 32?

16 CHAIRMAN MATHIAS: No, it did not, and you could
17 easily be correct as far as they're further down the
18 line than perhaps they were several weeks ago.

19 I would be interested in a later date on
20 your Page 14 where you say that if you remove
21 the restrictive communications process between KPMG
22 and SBC/Ameritech.

1 I read the contract. It allows for
2 communication between the parties and I would be
3 interested in a specific proposal. We've heard this
4 both from Mr. Schwartz of KPMG, who recommended the
5 same type of communication release in effect to allow
6 SBC to communicate directly with KPMG, and I would
7 welcome a specific and concise recommendation.

8 MR. GLOTZBACH: We appreciate that. We would be
9 very pleased to respond to that.

10 CHAIRMAN MATHIAS: On Page 15 you say that due to
11 KPMG's unique methodology. What is unique about
12 KPMG's operation in this state, as well as against
13 those other states in which they undertook this same
14 type of metrics testing?

15 MR. GLOTZBACH: It's not unique relative to the
16 other states that they have done a performance
17 measurement auditing. It is unique to the other
18 states in the country that have done a performance
19 measurement audit.

20 CHAIRMAN MATHIAS: Did you not review what KPMG has
21 done in other states before you undertook this
22 proposal or before you or as you undertook compliance

1 with the Condition 29? In other words, why didn't you
2 spend \$55 million rather than \$25 million and we could
3 meet the standard and we wouldn't be here today?

4 MR. GLOTZBACH: Spending any amount of money more
5 couldn't help us with replication. We have all the
6 data that KPMG needs and it's in their
7 hands, yet, we're doing one-and-a-half a week. It
8 isn't a matter of money spent getting them anything.
9 It doesn't solve the problem. It just doesn't solve
10 the problem.

11 CHAIRMAN MATHIAS: You mentioned Arizona.
12 My understanding is that the ILEC in Arizona spent \$62
13 million in order to gain 271 approval and/or part of
14 the 271 approval and you are not suggesting that we
15 would look to Arizona as a standard to measure how
16 much we should spend in Illinois, are you?

17 MR. GILLIAM: I would never recommend Arizona. What
18 I would recommend is looking at KPMG's
19 past track record and that would tell us that
20 it's typically double of what they bid on this job.

21 CHAIRMAN MATHIAS: And we asked for requests for a
22 proposal before the plan of record was made and other

1 vendors who have been on the contract had the same
2 type of information available to them at the same
3 time.

4 MR. GILLIAM: I understand that well. I thought it
5 was clear early on that it was based on the New York
6 Master Test Plan and New York was more than double
7 that 17.

8 CHAIRMAN MATHIAS: But the Illinois Master Test
9 Plan wasn't approved until several months after the
10 request for proposal was accepted by the Illinois
11 Commerce Commission; is that correct?

12 MR. GILLIAM: I think that's correct.

13 CHAIRMAN MATHIAS: And, therefore, in effect, KPMG
14 was bidding in the dark; is that correct?

15 MR. GILLIAM: I think KPMG had their past track
16 record available to them before they bid on it.

17 CHAIRMAN MATHIAS: Do you know if there are other
18 RPF vendors who responded to the Illinois RFP?

19 MR. GILLIAM: I do not.

20 CHAIRMAN MATHIAS: Excuse me?

21 MR. GILLIAM: I do not.

22 CHAIRMAN MATHIAS: With regard to Michigan, if you

1 were to receive a 271 approval recommended by the
2 Michigan insurance or Michigan Public Utility
3 Commission, and would then attempt to attempt this as
4 a reason for approving the Illinois 271 application of
5 SBC/Ameritech Illinois, would you still feel compelled
6 to comply with Condition 29?

7 MR. GILLIAM: Yes. Let me make it clear, Chairman
8 Mathias. Condition 29 or SBC will comply with, no
9 question, and 30 as well.

10 CHAIRMAN MATHIAS: And to the other companies
11 represented here, other than SBC/Ameritech, I'm told
12 that there are 33 exceptions, which are now assigned
13 by KPMG and over 80 observations.

14 Has any CLEC at the table -- is any CLEC
15 at the table aware of any state public utility
16 commission which has recommended any type of 271
17 approval with 33 exceptions outstanding and over 80
18 observations outstanding with regard to the OSS
19 systems.

20 MR. CONNOLLY: There's none that I'm aware of and
21 I'm been involved in many.

22 MS. LITCHTENBERG: And I would concur with

1 Mr. Connolly particularly when each of those
2 exceptions has CLECs who have actually seen the
3 problems in reality.

4 CHAIRMAN MATHIAS: Just a question that would
5 attempt to give some idea of the scope of this effort,
6 because I'm in awe of a company attempting to do what
7 SBC in Illinois is attempting to do as far as their
8 systems and processes and metrics.

9 What is the volume of transactions? You have
10 mentioned it here briefly before the number of
11 software programs, the number of hardware placements
12 that you have in effect that are involved in
13 attempting to achieve OSS approval from KPMG.

14 MR. GLOTZBACH: I separate in my mind the record of
15 compliance and what's OSS testing. I think on OSS
16 testing in my organization I have about 485 employees
17 involved. A number of applications is in the hundreds
18 number of lines of code, I wouldn't want to guess
19 without looking at the specific applications, but it's
20 in the many thousands, and I have about a sixth of my
21 leadership team in that organization dedicated to this
22 alone.

1 CHAIRMAN MATHIAS: By "this alone," you mean

2 Ameritech -- excuse me -- SBC --

3 MR. GLOTZBACH: Current OSS testing.

4 CHAIRMAN MATHIAS: For the SBC/Ameritech states?

5 MR. GLOTZBACH: Yes.

6 CHAIRMAN MATHIAS: I would imagine some of this
7 code is the Fortran, or COBALT, or other language as
8 well?

9 MR. GLOTZBACH: Not much of it any more. Since a
10 lot of these systems we have to interface with the
11 CLECs, it would be of few opportunities. We have new
12 applications, so these are not the dominant systems.
13 There are pieces that interface with certainly in
14 those old languages, not the predominance of it.

15 CHAIRMAN MATHIAS: I think we have to recognize
16 that this is a very substantial project which needs to
17 be undertaken.

18 COMMISSIONER KRETSCHMER:

19 I think today has been very informative and
20 reviewing the past is always instructive, however, I
21 would like to look to the future for a moment. We
22 can't change the past, maybe we can change the future.

1 It seems to me that I have heard several
2 Commissioners say that they would not be adverse to
3 allowing more discussion between the parties.
4 Blindness where you can't talk to one another seems to
5 me not to be very intelligent. I think that we can
6 waste less time if there's direct contact rather than
7 going through a lot of technicalities talking about
8 statistically auditing, the testing or doing the
9 replication.

10 What I have heard you say is that's
11 extremely costly for KPMG to build the replication and
12 that it's more costly for them to do that than for you
13 to give them the information they need when they are
14 doing it, so that accounts for the difference in the
15 cost.

16 You do understand that even if we were
17 inclined to go through a different auditor, nothing
18 moves rapidly in the State of Illinois or any other
19 state. It means we have to go through a bid. We have
20 an RFP, then we have the bidding process, then we have
21 to choose and select another auditor. All that takes
22 a lot of time.

1 Something I didn't hear, I didn't hear
2 any of the CLECs say that they were completely adverse
3 to meeting with Ameritech and looking at the issues
4 that are still on the table and trying to come to some
5 agreement as to prioritizing them and insuring that
6 the CLECs have a fair opportunity to compete.

7 I didn't hear anybody say that that
8 wasn't possible. I think what I heard you all say you
9 don't have the information now to make a decision, so
10 perhaps if all of you had the information, then
11 perhaps there could be some give and take on both
12 sides. That sounds to me to be intelligent.

13 Our purpose here is to try to facilitate
14 the future, not to simply complain about the past,
15 So I think that -- I think two things, first of all,
16 you should communicate better. I don't see anything
17 that's illegal about that, maybe we can talk to the
18 lawyers. Of course, lawyers always find a reason for
19 you can't do something, but don't talk to them.

20 (Laughter.)

21 The other thing I hear is if there's
22 enough sharing that you can come to some resolution of

1 some of the problems.

2 I have to tell you I get all the
3 exceptions, and all the observations, and all the
4 other papers that you ship back and forth to one
5 another. Some of them are very interesting. Some of
6 them seem very repetitive, so perhaps there's could be
7 some way of cutting down on some of these messages
8 that you ship back and forth.

9 The first thing you need to do is reach
10 an accommodation behind your time, things that to me
11 they seem critical. I think Commissioner Squires hit
12 on one of the things. By this time, you all ought to
13 understand what the words mean.

14 Flow through -- if you don't know what
15 flow through -- if you are still defining flow through
16 after 2 1/2 years, you need to get somebody who writes
17 a small dictionary for you. People in the audit can
18 tell you. I often say give me a list of all the
19 acronyms. I want to know what you are talking about.
20 I think maybe you need a dictionary.

21 One thing I was interested in, and it
22 really strikes me -- where did it go. It was

1 something that AT&T said. No. I'm sorry -- Ameritech
2 said about -- here it is -- in the 15 other states
3 that have received 271 approval, long distance rates
4 have decreased and local competition has increased.

5 So maybe if while you are all working on
6 all of this, you will remember that long distance
7 rates have gone down, and I haven't seen a comparable
8 lowering of rates on the local side, so that's just
9 something, you know, you might think about.

10 I am encouraged. I think that the
11 worse is over. I don't think you are going to get
12 your wish by a new auditor, but you may. We certainly
13 will be discussing it. I mean, I'm not opposed to
14 statistically auditing the system, maybe it's because
15 I worked for the Department of Commerce for years and
16 gathered statistics and know how they're used, so that
17 doesn't frighten me, as perhaps some other people
18 might be.

19 I do think it's been a long process. I
20 would like to think that maybe CLECs -- and I think
21 Commissioner Hurley said this -- maybe the CLECs
22 might, each one of them, send to us a list of all the

1 issues that are most critical to you, identify the
2 situation so we can -- and you do it independently. I
3 don't want you to get together. Do this independently
4 and we can cross-reference them and see what we can
5 come up with in the meantime.

6 I think all of you can make the system
7 work if it's to your advantage, the CLECs' advantage
8 to get into the local market, and if it's to your
9 advantage to get into the market, it seems to me we
10 ought to be working together rather than working at
11 cross-purposes. I hope you do that.

12 I look forward to getting from you a
13 listing of the issues, the essential -- what's the
14 term I need -- essential elements.

15 MR. GILLIAM: You can use statistics again --

16 COMMISSIONER KRETSCHMER: No, not statistics, what
17 works. Tell us what you mean and we can certainly
18 look at that and maybe we can go through some of those
19 issues.

20 CHAIRMAN MATHIAS: Any other questions of these
21 Commissioners?

22 (No response.)

1 Thank you very much. For those of you
2 who participated today, we realize it's time-consuming
3 not only to be here, but to prepare for it, and the
4 Commission will discuss this in due course within the
5 next several days. And if there are no further
6 issues, we are adjourned. Thank you very much.

7 (Whereupon, the above
8 matter was adjourned.)

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